
Sugar & Gur Weekly Research Report

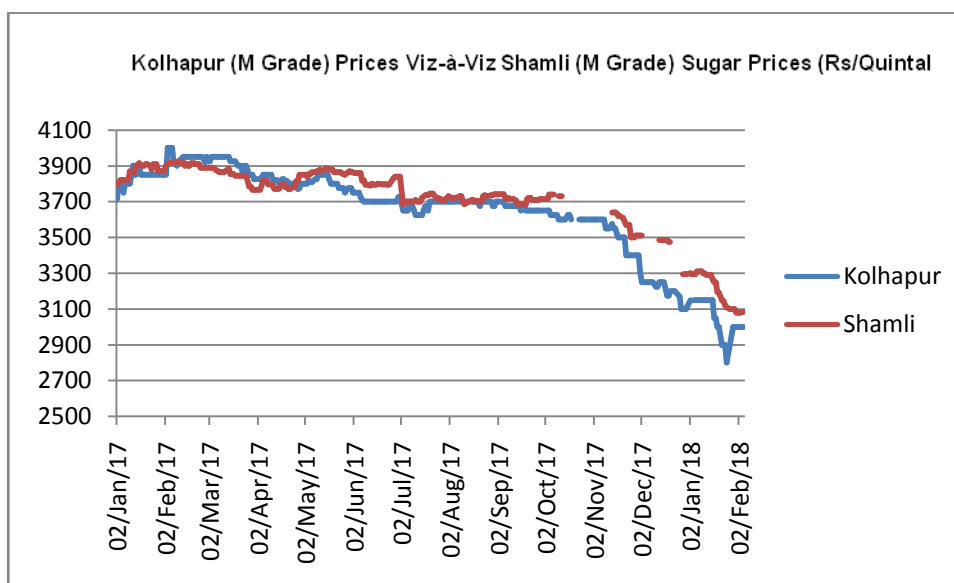
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Domestic Sugar Market Summary

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 2980 per quintal this week and previous week was 3150. Similarly, spot sugar prices for the same variety/grade in Shamli district Rs 3092 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

- Apprehending import of cheaper sugar from Pakistan, the food ministry has pushed for hike in import duty on the sweetener to 100% from current duty of 50%. At present there is no import of sugar, but the proposal is in view of a recent move by Pakistan of hiking the amount of sugar eligible for export subsidies to two million tonnes from five lakh tonnes which could depress sugar prices in the neighboring country-leading to possibilities of import into India. The proposal is currently pending with commerce ministry.
- Further, there are indications that the government may allow export of raw sugar under Duty Free Import Authorization (DFIA) scheme, which was withdrawn in May 2015.

- India's sugar mills produced 3.211 mln tonnes of sugar, white value, in the first half of January, down from 3.386 mln in the previous fortnight but sharply above 2.289 mln in the same period last year.

Previous Update

- 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.

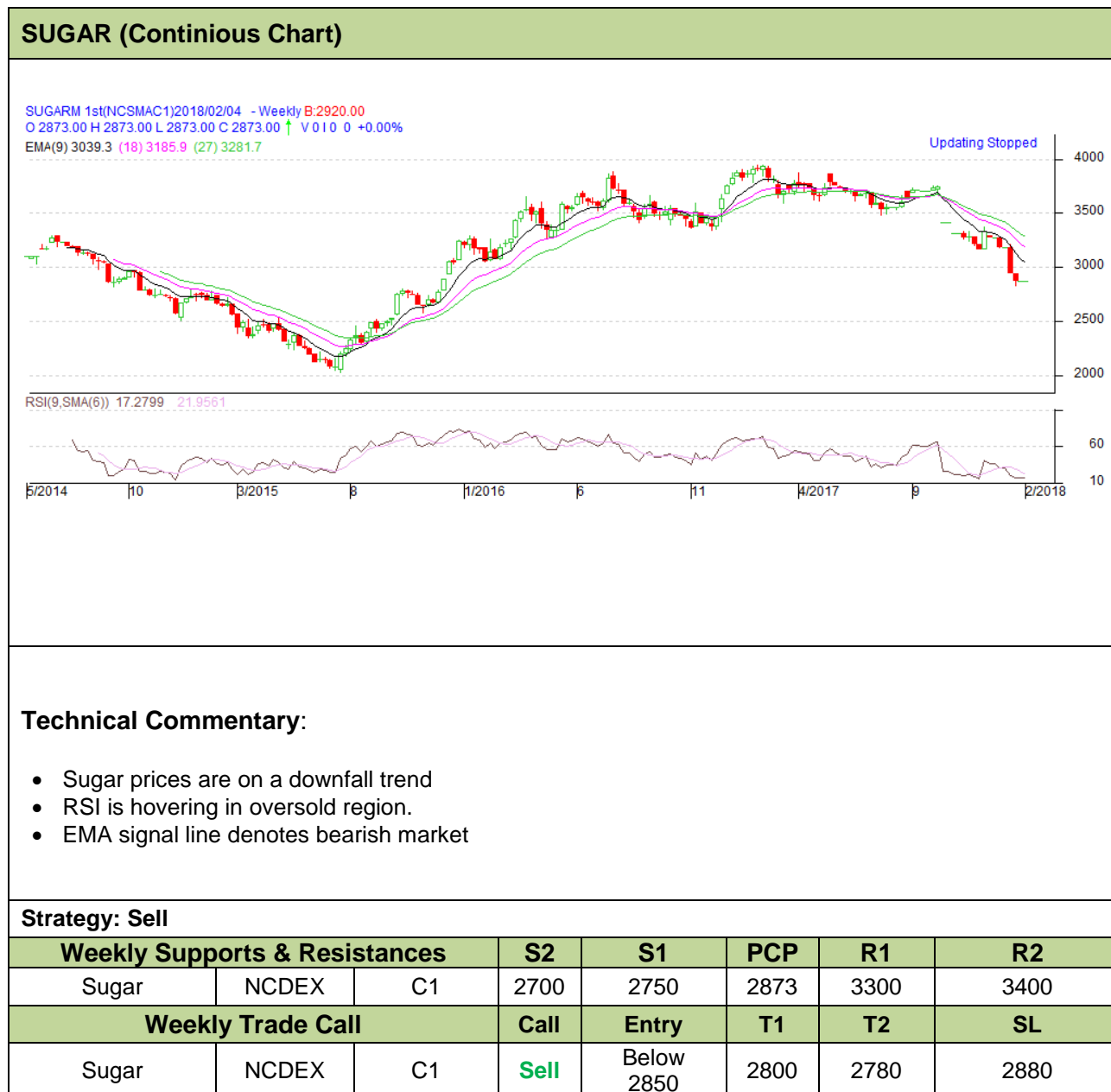
- All India sugar output is expected to rise 25% this year but sugar mills in south India are reeling from very low capacity utilization resulting from low cane production in southern states. Data from Indian Sugar Mills Association (ISMA) shows 21 sugar mills in Andhra Pradesh and Telangana produced 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.

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



- Sugar spot prices at benchmark Kolhapur market closed at Rs 3000/quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 2800 per quintal respectively.

Domestic Sugar Market Technical Analysis (Future Market)



International Sugar Market Summary

International sugar prices noticed weak tone during the week

International Market Highlights

Recent Updates

- As per USDA data, US domestic consumption of ethanol has eaten through close to a million barrels of ethanol in the week ending January 26, with production falling slightly. Ethanol production remained

comfortably above the million barrel mark at 1.04 million barrels a day- a fall of 22,000 barrels per day from the previous week.

- 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% to 130,000 tonnes, from 220,000 tonnes a year ago, data from the General Administration of Customs showed.
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- 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.

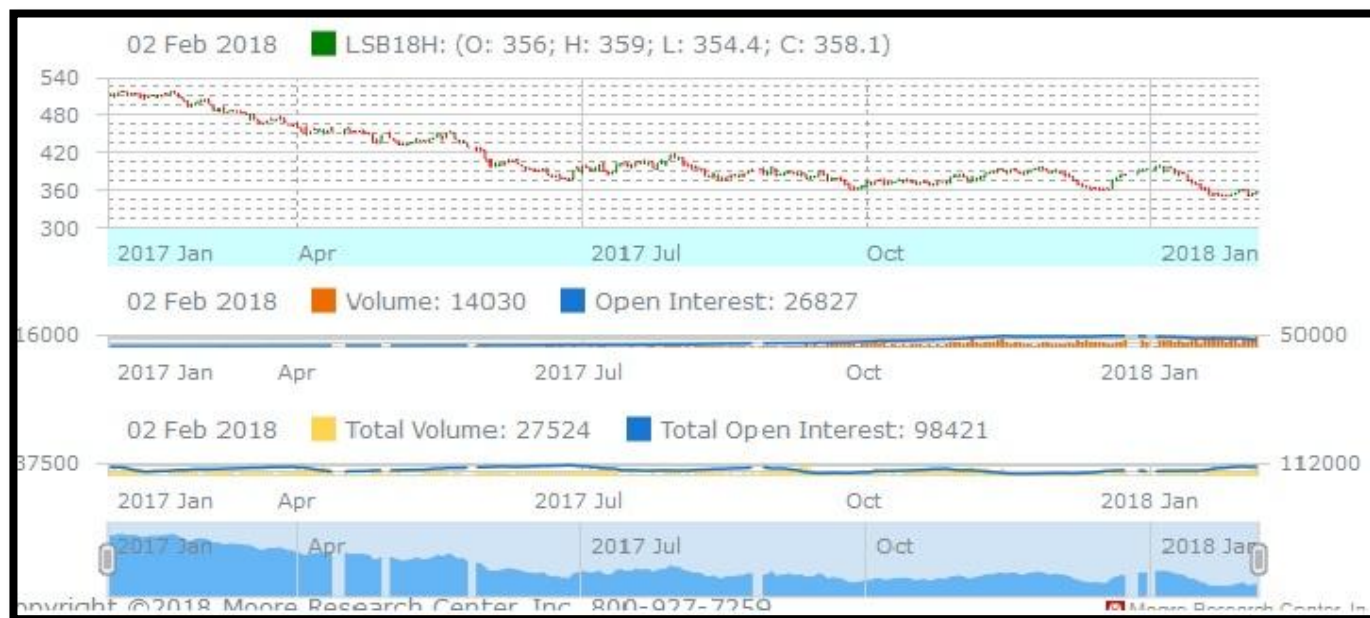
Previous Updates

- 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.
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- 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.

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 359,T1 355

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Mar'18	358	360

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 13.40 with a target of 14.50

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'18	13.40	14.50

Gur Market Scenario

Spot gur market reported weak during the week period. Prices of “Chaku” variety have decreased from 2588/ qtl to 2563/ quintal in Muzaffarnagar market.

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2563/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			5th to 11th January, 2018	29th Dec to 4th Jan, 2017	
Delhi	Delhi	M-Grade	3377	3450	-74
	Delhi	S-Grade	3357	3430	-74
Uttar Pradesh	Khatauli	M-Grade	3402	3389	13
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3288	3274	14
	Dhampur	S-Grade Ex-Mill	3268	3254	14
	Dhampur	L-Grade Ex-Mill	3338	3324	14
Maharashtra	Mumbai	M-Grade	3538	3564	-26
	Mumbai	S-Grade	3274	3282	-8
	Nagpur	M-Grade	3275	3250	25
	Nagpur	S-Grade	3175	3150	25
	Kolhapur	M-Grade	3150	3125	25
	Kolhapur	S-Grade	3050	3025	25
Assam	Guhawati	S-Grade	3360	3334	25

Meghalaya	Shillong	S-Grade	3370	3345	25
Andhra Pradesh	Vijayawada	M-Grade	3673	3700	-27
	Vijayawada	S-Grade	3613	3640	-27
West Bengal	Kolkata	M-Grade	3685	3657	28
Tamil Nadu	Chennai	S-Grade	3650	3590	60
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			11-Jan-18	4-Jan-18	11-Dec-17	11-Jan-17
Delhi	Delhi	M-Grade	3401	3381	3458	3860
	Delhi	S-Grade	3381	3361	3438	3840
Uttar Pradesh	Khatauli	M-Grade	3395	3390	3515	3900
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3290	3290	3375	NA
	Dhampur	S-Grade Ex-Mill	3270	3270	3355	NA
	Dhampur	L-Grade Ex-Mill	3340	3340	3425	NA
Maharashtra	Mumbai	M-Grade	3526	3580	3630	4060
	Mumbai	S-Grade	3270	3290	3410	3826
	Nagpur	M-Grade	3275	3275	3350	3975
	Nagpur	S-Grade	3175	3175	3250	3875
	Kolhapur	M-Grade	3150	3150	3225	3850
	Kolhapur	S-Grade	3050	3050	3125	3750
Assam	Guhawati	S-Grade	3360	3360	3436	4070
Meghalaya	Shillong	S-Grade	3370	3370	3445	4070
Andhra Pradesh	Vijayawada	M-Grade	3660	3700	3740	4020
	Vijayawada	S-Grade	3600	3640	NA	3910
West Bengal	Kolkata	M-Grade	NA	NA	3775	4050
Tamil Nadu	Chennai	S-Grade	3650	3650	3650	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)			5th to 11th January,2018	29th Dec to 4th Jan,2017	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2730	2696	34

	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	31000	25000	6000
	Muzaffarnagar	Khurpa (Fresh)	2572	2552	20
	Muzaffarnagar	Laddoo (Fresh)	2848	2811	37
	Muzaffarnagar	Rascut (Fresh)	2202	2208	-5
	Hapur	Chaurasa	2505	2510	-5
	Hapur	Balti	2548	2535	13
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4850	4870	-20
	Belgaum	Mudde (Average)	3625	3500	125
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	NA	NA	-
	Gulbarga	Other (Average)	3594	3515	79
	Mahalingapura	Penti (Average)	3293	3342	-50
	Mandya	Achhu (Medium)	3267	3310	-43
	Mandya	Kurikatu (Medium)	3200	3200	Unch
	Mandya	Other (Medium)	3125	3150	-25
	Mandya	Yellow (Medium)	3308	3330	-22
	Shimoga	Achhu (Average)	3688	3725	-38

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			11-Jan-18	4-Jan-18	11-Dec-17	11-Jan-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	2688	2713	2838	3025
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	7000	4000	10000	4500
	Muzaffarnagar	Khurpa	2525	2553	2600	2825
	Muzaffarnagar	Laddoo	2750	2840	2813	3100
	Muzaffarnagar	Rascut	2205	2188	2225	2525
	Hapur	Chaurasa	2425	2575	Closed	2725
	Hapur	Balti	2500	2575	Closed	2750
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4850	4850	4900	4500
	Belgaum	Mudde (Average)	3600	3600	3800	3200
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	NA	NA	NA
	Gulbarga	Other (Average)	3650	3540	3340	3675
	Mahalingapura	Penti (Average)	3210	3353	3421	3737
	Mandya	Achhu (Medium)	3250	3250	3500	3450
	Mandya	Kurikatu (Medium)	3200	3200	3300	3400
	Mandya	Other (Medium)	3100	3150	3200	3300
	Mandya	Yellow (Medium)	3300	3300	3550	3450
	Shimoga	Achhu (Average)	NA	3600	3850	4000

International Sugar Prices (Weekly)				
	Contract Month	10-Jan-18	3-Jan-18	Change
ICE Sugar #11 (US Cent/lb)	18-Mar	14.65	15.31	-0.66
	18-May	14.72	15.21	-0.49
	18-Jul	14.83	15.21	-0.38
LIFFE Sugar (US \$/MT)	18-Mar	387.60	399.30	-11.70
	18-May	388.80	397.20	-8.40
	18-Aug	392.50	399.60	-7.10

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