

# Sugar & Gur Weekly Research Report

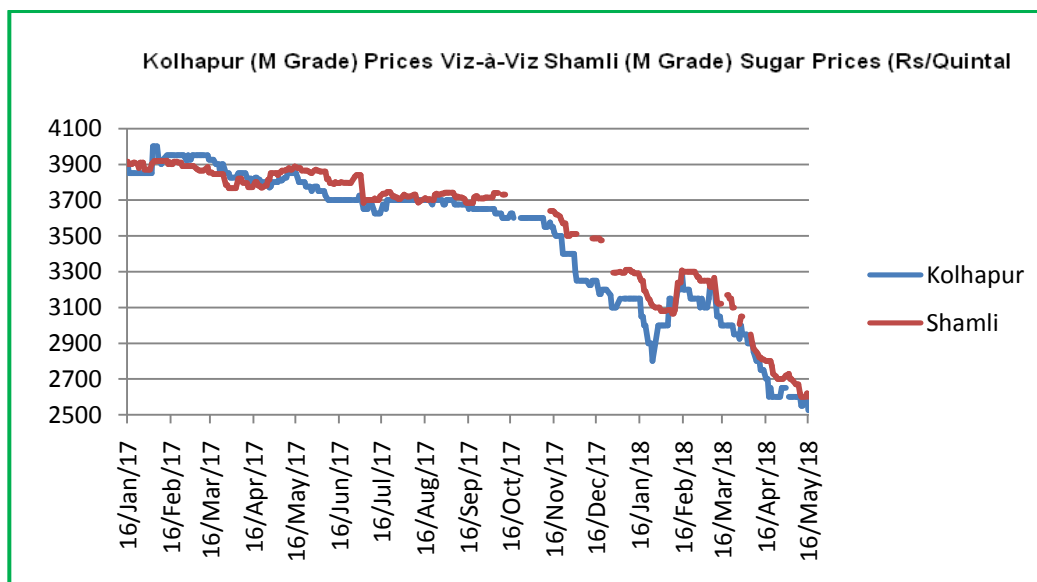
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## Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market traded weak during the week following subdued domestic demand from stockiest and bulk consumers.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2570 per quintal lower compared to last week it was 2580. Similarly, spot sugar prices for the same variety/grade in Shamli district Rs2606 per quintal this week.



### Price Outlook:

Agriwatch predicts spot sugar prices to weak 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 2500 - 3000 per quintal next week.

## Domestic Market Highlights

### Recent Updates

- India imported 1,908 tonne sugar or 1.6 percent of the country's total import of the sweetener from Pakistan during April-May of the current financial year, the commerce ministry said.
- Sugar exports have not started even after centre gave cane farmers a Rs 1,540-crore financial assistance package, seeking to flush out last year's surplus stock in the world's biggest consumer market of the natural sweetener.
- Nearly 40 per cent of the sugar mills in the country may not be able to take advantage of the recently-announced financial assistance package by the Centre. This is because many in the sector, which is reeling under a supply glut, may not fulfil an important eligibility condition.

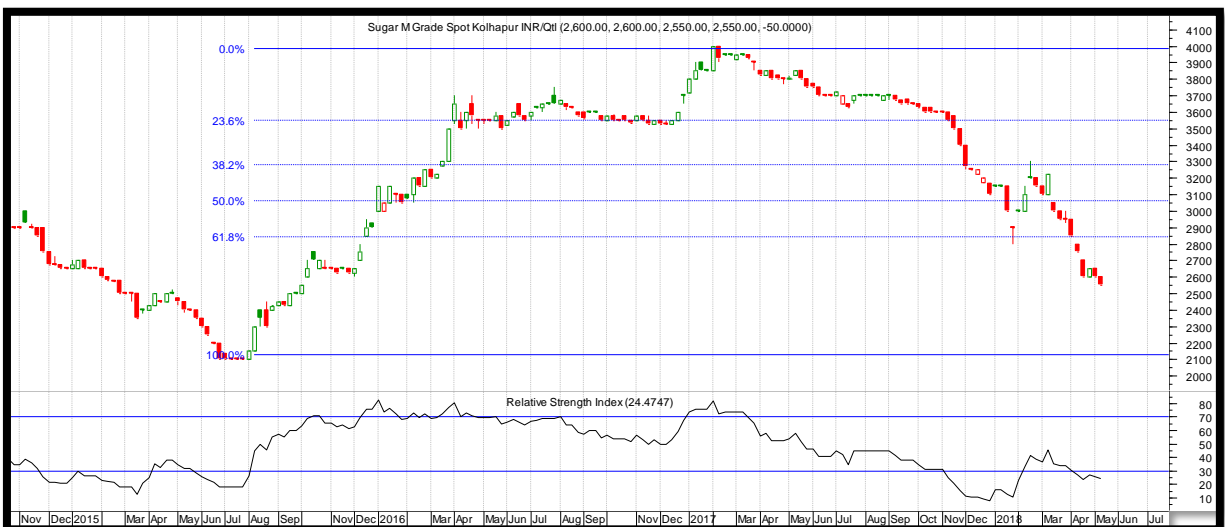
- Cane dues for the sugar season 2017-18 in Uttar Pradesh continue to mount – over Rs 12,000 crore at last count – the Yogi Adityanath government has announced the release of just Rs 217 crore out of the Rs 850-crore power dues owed by the millers for settling the dues. While releasing the amount, cane commissioner Sanjay Bhoosreddy said that it must be ensured that 100% of the released funds are used to pay off the cane dues of farmers.
- A delegation led by Sharad Pawar, comprising representatives from the private and cooperative industry, will seek the Centre's intervention to mitigate the sugar crisis in the upcoming meeting with PM. The industry will demand an increase in export limit to 8 million tonnes in the next 18 months, considering a record production of 32 million tonnes in crushing seasons of 2017-18 and 2018-19, leaving (higher) inventory of 11 million tones.
- The industry will press for a rise in sugarcane incentive (for export) to Rs 100 per tonne from the present Rs 55 per tonne, rise in ethanol procurement price by oil companies to Rs 55 per litre from Rs 40.85 per litre, and introduction of quarterly sugar release mechanism in order to curb distress sale.
- Further, the industry wants that direction from the Centre to Reserve Bank of India and National Bank for Agriculture and Rural Development to grant the much needed working capital term loan to sugar factories, so that they can participate in the next year's crushing season.
- On the GST council proposal of imposition of cess on sugar under the direction of food ministry, group of ministers to seek opinion of the law ministry over the legality of such decision. The ministerial want to know whether GST council has the power to impose such cess. Once the law ministry give clearance on the legality the GST council will enforces cess. Further there has been also a report to be submitted by food ministry to ministerial group on the utilization of the fund collected from such cess. The next meeting of ministerial group is on June 3<sup>rd</sup>.
- Prior to GST roll out on July 1, 2017, a cess was levied and collected under the Sugar Cess Act, 1982, as duty of excise for the purpose of the Sugar Development Fund.
- A Group of State Finance Ministers, headed by Assam's Himanta Biswa Sarma, is likely to meet this week to evolve a consensus on the proposal before taking it to the Goods and Service Tax (GST) Council for a final decision. The cess will be used to create a fund, which will enable the Centre to make prompt interventions to protect the interests of farmers, in view of the extreme cyclical nature of industry. The proposal envisages the "imposition of cess at a rate not exceeding ₹3 per kg on supply of sugar" (over and above the GST at 5 per cent).
- The imports of 30,000 quintal sugar from Pakistan has further added to the glut and the government is questioning the need of doing so. Pakistani sugar is Rs 1 cheaper than Indian sugar. Political parties are opposing selling of imported sugar in Mumbai market.
- Office of Cane and Sugar Board has approved first lot this year and there are potential for further allocations. Thus this can help in some way decline in the global sugar stocks. The office has estimated the production of 14.3 million tons of sugar of which 2.3 million tons will be domestically consumed and rest will be exported.
- With rise in Chinese production, China is expected to import low this season and which is adding to global end stocks. All is going to depend on the quantum of sugar directed towards the ethanol or the prices is expected to plummet to multi year lows.

## Previous Updates

- Sugar prices went down by Rs 100 per quintal at the wholesale markets in the national capital during week due to a fall in demand from bulk consumers and stockists amid ample stocks on higher supplies from mills.
- At the spot market too ample supplies has been kept the overall sentiments bearish and with culmination of sugar crushing season the production seems to be all time high. ISMA earlier has indicated the production can reach 310 lakh tons. According to USDA the last highest sugar production was recorded in 2014-15 with 300.46 lakh tons.
- With the y-o-y rise in sugar production the molasses prices has also been fallen significantly which is adding the woes to the sugar mills and further declining in the sugar crush margins. The molasses that used to fetch INR 450 per quintal last year is bringing just INR 10-20 this sugar season. Under such situation the sugar mills is expected to continue running in losses and thus the situation of miller's inability to pay arrears is expected to continue.
- The total subsidy amount is expected to be around Rs 1,540 crore, less than a 10th of the outstanding cane dues to sugar farmers. So far, cane arrears were around 19000 crore.
- Sugar output in the 2017-18 (October-September) season is estimated at over 310 lt against an estimated domestic consumption of about 240 lt. A similar surplus is expected in the coming season. Sugar prices have dropped to Rs.28 a kg, against cost of production of Rs.35. Mills' overdues to sugarcane farmers is pegged at about Rs18,000 crore- a part of which will now be borne by the government.
- With prices crashing govt has come forward to subsidize sugar production and which in turn has resulted in the furor among the major sugar producing countries on the ground of WTO mandate on agricultural subsidies.

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

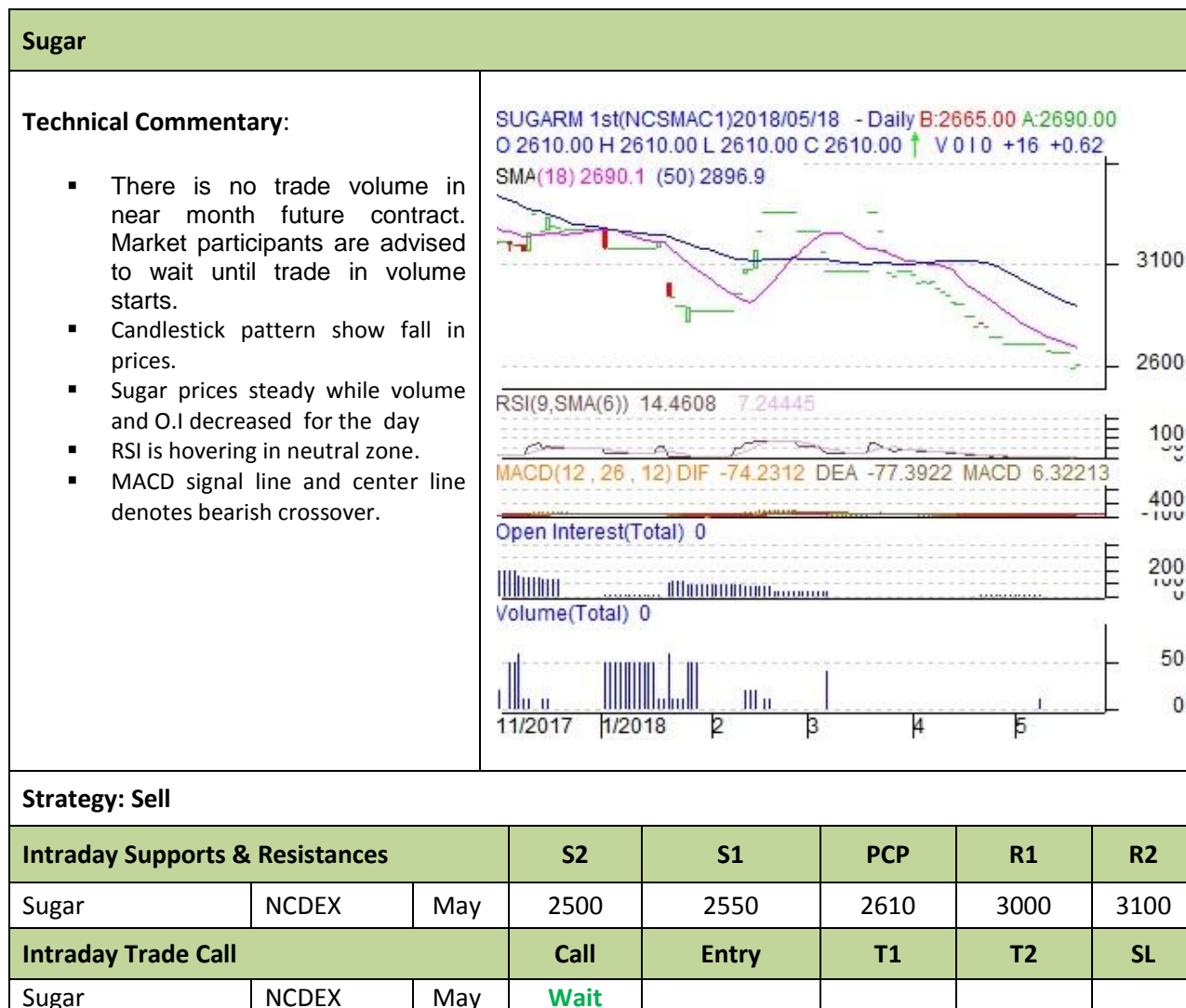
- Sugar spot prices at benchmark Kolhapur market closed at Rs 2570 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 2800 and Rs 2500 per quintal respectively.
- Relative Strengths Indicator is moving in neutral region which indicate range bound movement.



## Domestic Sugar Market Technical Analysis (Future Market)

Commodity: Sugar  
Contract: May (C1)

Exchange: NCDEX  
Expiry: May.18<sup>th</sup>, 2018



\* Do not carry-forward the position next day.

**Note:** There is no trade volume in near month future contract. Market participants are advised to wait until trade in volume starts.

## **International Sugar Market Summary**

International sugar prices noticed weak tone during the week

### **International Market Highlights**

#### **Recent Updates**

- Thailand's sugarcane crush continues to wind down as daily sugar production has fallen to about 10,000 tonnes over the past week.
- Thailand, the world's second-biggest sugar exporter after Brazil, has decided to cut its exports of raw sugar by at least 500,000 tonnes this year, as a swelling global surplus and falling prices make it less worthwhile to export it, according to Japan's Nikkei newspaper.
- USDA has estimated an all-time high sugar production of 185 million tons and independent research agency JSG is forecasting US Sugar to fall to 8 cents. In repercussion there is good chance the Indian sugar can fall to INR 2200-2300 per quintal this season.
- Thailand has decided to cut its exports of sugar by 500,000 thd tons and direct towards the production of ethanol to be consumed domestically. The surge in crude oil prices has resulted in rice in demand of ethanol and thus millers is expected to direct there surplus stocks toward the production of ethanol.
- In Thailand the ethanol is being produced by Cassava, Molasses and raw sugar. With Cassava prices running high, there is increased volume of molasses and raw sugar channelized towards the production of ethanol.
- From the international front, in the sugar week held in New York, most of the traders are having view of the sugar prices at ICE to fall and to trade in single digit in upcoming months. The analyst opined that we have headed towards second surplus year with analyst expecting largest overhang. ISO has said that the consumption will be at the slowest pace this year since 2000 and that will compound the glut.
- Plattskingsman opined that further fall will depend on India's sugar exports and South American weather outlook and mostly be the drought in Brazil that can change the outlook.

#### **Previous Updates**

- Brazil's center-south region will produce 31 million tonnes of sugar in the current 2018/19 crop cycle, down from a March estimate of 31.5 million tonnes and from 36.1 million tonnes last season, according to prepared remarks from the firm at an industry event during New York "Sugar Week."
- Sugar prices continues to spiral down as the market lacks any bullish fundamentals. ICE sugar has also been weakening in the last there session and bearish sentiments is expected to continue in coming days.
- International sugar analysts are expecting the bearish trend in Sugar to continue in coming 1 to two years as carry forward stocks is expected to keep the prices numb.
- With export subsidies offered by Pakistan govt Pakistan continued to dump there surplus stock in the international market and thus is expected to post a record exports this year.



- Meanwhile Thailand has decided to cut its exports of sugar by 500,000 thd tons and direct towards the production of ethanol to be consumed domestically. The surge in crude oil prices has resulted in rice in demand of ethanol and thus millers is expected to direct there surplus stocks toward the production of ethanol.

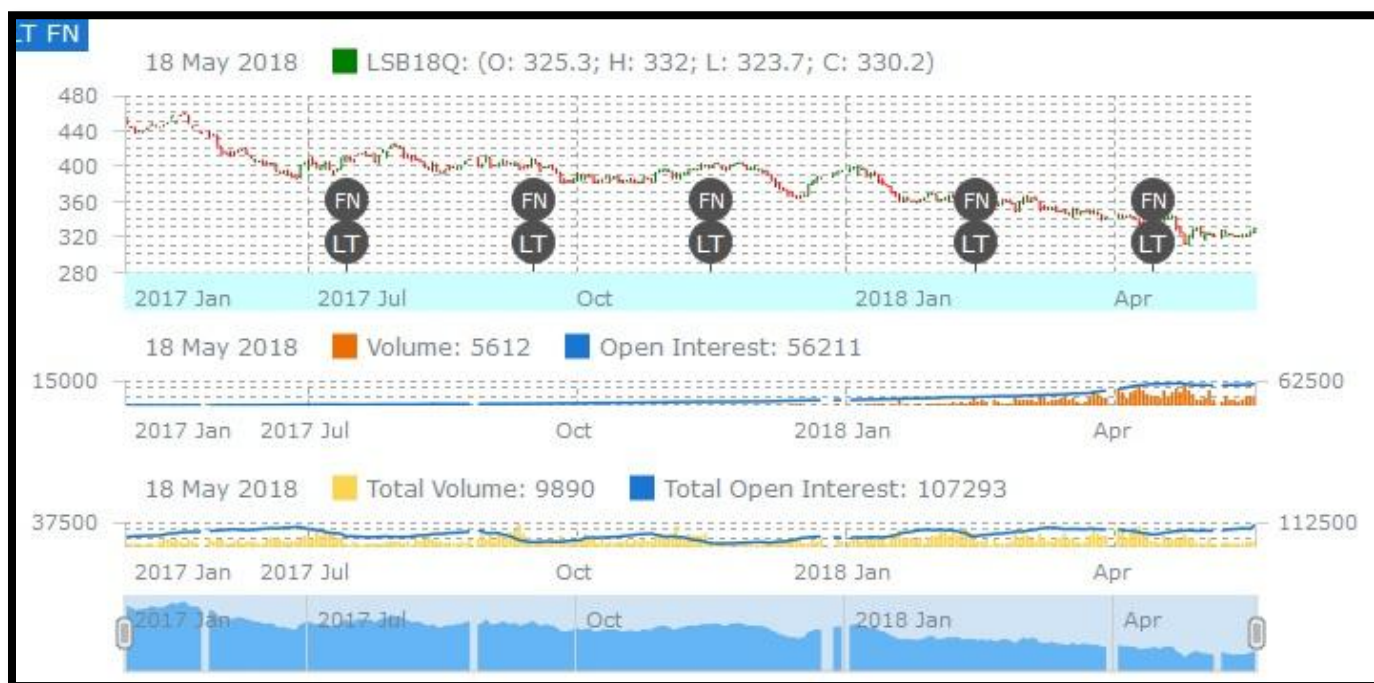
## International Sugar Futures Price Projection

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

#### Technical Commentary

- LIFE future market trends weak for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 330,T1 340

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	May'18	330.2	300-350



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

#### Technical Commentary:

- ICE raw sugar futures trend downward for the month.
- Last candlestick depicts bearishness in the market. Strategy: sell below 12.00 with a target of 14.00



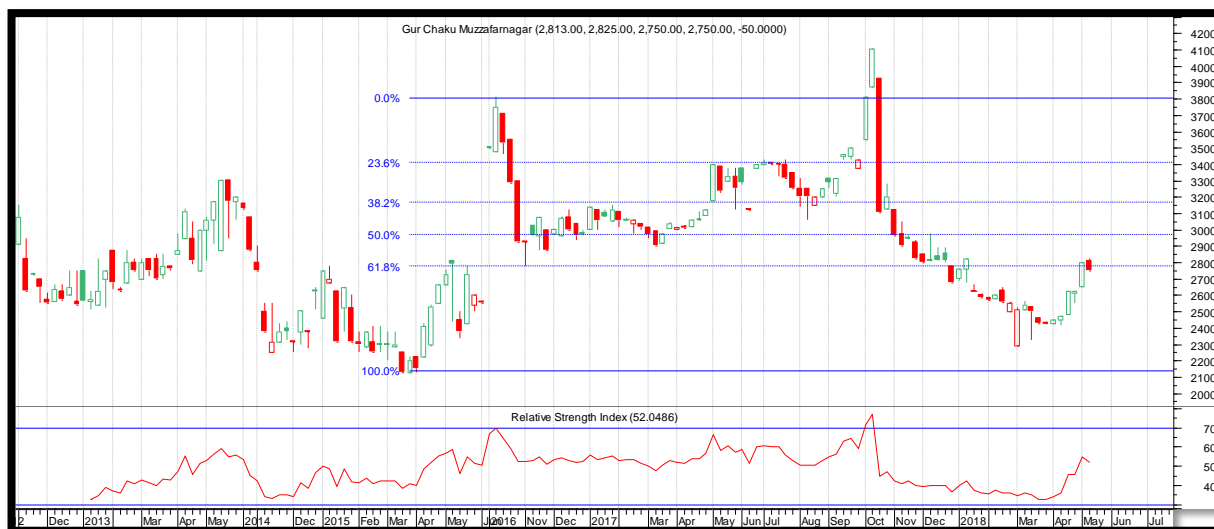
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	May'18	11.66	11-14



### Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2660 /quintal this week
- Next resistance and support level for the coming month has been seen at Rs 2900 and Rs 2600 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			11th May to 17th May, 2018	4th May to 10th May, 2018	
Delhi	Delhi	M-Grade	2823	2928	-105
	Delhi	S-Grade	2803	2908	-105
Uttar Pradesh	Khatauli	M-Grade	2703	2775	-73
	Ramala	M-Grade	NR	NR	-
	Dhampur	M-Grade Ex-Mill	2593	2643	-50
	Dhampur	S-Grade Ex-Mill	2573	2623	-50
	Dhampur	L-Grade Ex-Mill	2643	2693	-50
Maharashtra	Mumbai	M-Grade	2927	2980	-53
	Mumbai	S-Grade	2677	2725	-48
	Nagpur	M-Grade	2683	2725	-42
	Nagpur	S-Grade	2583	2625	-42
	Kolhapur	M-Grade	2558	2600	-42
	Kolhapur	S-Grade	2458	2500	-42
Assam	Guhawati	S-Grade	2759	2801	-42
Meghalaya	Shillong	S-Grade	2778	2820	-42
Andhra Pradesh	Vijayawada	M-Grade	3060	3067	-7
	Vijayawada	S-Grade	3000	3007	-7
West Bengal	Kolkata	M-Grade	2915	3000	-85
Tamil Nadu	Chennai	S-Grade	2798	2933	-136
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			17-May-18	10-May-18	17-Apr-18	17-May-17
Delhi	Delhi	M-Grade	2800	2890	3050	3925
	Delhi	S-Grade	2780	2870	3030	3905
Uttar Pradesh	Khatauli	M-Grade	2680	2740	2890	3925
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	2560	2600	2800	3850
	Dhampur	S-Grade Ex-Mill	2540	2580	2780	3830
	Dhampur	L-Grade Ex-Mill	2610	2650	2850	3900
Maharashtra	Mumbai	M-Grade	2890	2952	3192	4092

	Mumbai	S-Grade	2640	2710	2812	3912
	Nagpur	M-Grade	2650	2725	2825	3950
	Nagpur	S-Grade	2550	2625	2725	3875
	Kolhapur	M-Grade	2525	2600	2700	3825
	Kolhapur	S-Grade	2425	2500	2600	3750
<b>Assam</b>	Guhawati	S-Grade	2725	2801	2903	4070
<b>Meghalaya</b>	Shillong	S-Grade	2745	2820	2920	4070
<b>Andhra Pradesh</b>	Vijayawada	M-Grade	3060	3060	3320	4120
	Vijayawada	S-Grade	3000	3000	3260	4080
<b>West Bengal</b>	Kolkata	M-Grade	2900	NA	3090	4110
<b>Tamil Nadu</b>	Chennai	S-Grade	2785	2800	3200	3750
<b>Chattisgarh</b>	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)

<b>Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)</b>					
<b>Commodity</b>	<b>Centre</b>	<b>Variety</b>	<b>Prices (Rs/Qtl)</b>		<b>Change</b>
<b>Jaggery(Gur)</b>			<b>11th May to 17th May,2018</b>	<b>4th May to 10th May,2018</b>	
<b>Uttar Pradesh</b>	Muzaffarnagar	Chaku Sukha(Cold)	2661	2807	-146
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	21500	18500	3000
	Muzaffarnagar	Khurpa (Fresh)	2400	2525	-125
	Muzaffarnagar	Laddoo (Fresh)	2538	2676	-138
	Muzaffarnagar	Rascut (Fresh)	2136	2121	15
	Hapur	Chaurasa	2270	2405	-135
	Hapur	Balti	2313	2470	-157
<b>Maharashtra</b>	Latur	Lal Variety	NR	NR	-
<b>Karnataka</b>	Bangalore	Mudde (Average)	4400	4400	Unch
	Belgaum	Mudde (Average)	NA	3200	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	2830	2888	-58
	Gulbarga	Other (Average)	2763	2747	17
	Mahalingapura	Penti (Average)	2719	2810	-91
	Mandya	Achhu (Medium)	3500	3500	Unch
	Mandya	Kurikatu (Medium)	3150	3200	-50
	Mandya	Other (Medium)	3167	3117	50
	Mandya	Yellow (Medium)	3250	3270	-20
	Shimoga	Achhu (Average)	3750	3750	Unch

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			17-May-18	10-May-18	17-Apr-18	17-May-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	2625	2825	2528	3375
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	4000	4000	3000	3000
	Muzaffarnagar	Khurpa	2300	2550	2255	2905
	Muzaffarnagar	Laddoo	2553	2688	2563	3420
	Muzaffarnagar	Rascut	2175	2125	1928	2538
	Hapur	Chaurasa	2300	2300	2125	NA
	Hapur	Balti	2313	2375	2100	NA
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4400	4400	4400	4950
	Belgaum	Mudde (Average)	NR	NR	NA	3600
	Belthangadi	Yellow (Average)	NR	NR	NA	NA
	Bijapur	Achhu	NA	2800	NA	3375
	Gulbarga	Other (Average)	2690	2750	2850	3625
	Mahalingapura	Penti (Average)	2739	2766	3045	3600
	Mandya	Achhu (Medium)	3450	3550	3300	4200
	Mandya	Kurikatu (Medium)	3100	3200	3200	3900
	Mandya	Other (Medium)	NA	3000	3150	3950
	Mandya	Yellow (Medium)	3400	3300	NA	3600
	Shimoga	Achhu (Average)	NR	NR	3700	4750

International Sugar Prices (Weekly)				
	Contract Month	16-May-18	9-May-18	Change
ICE Sugar #11 (US Cent/lb)	18-Jul	11.61	11.29	0.32
	18-Oct	11.89	11.69	0.20
	19-Mar	12.79	12.76	0.03
LIFFE Sugar (US \$/MT)	18-Aug	322.50	323.90	-1.40
	18-Oct	320.50	319.40	1.10
	18-Dec	327.60	327.60	Unch

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