

Sugar & Gur Weekly Research Report

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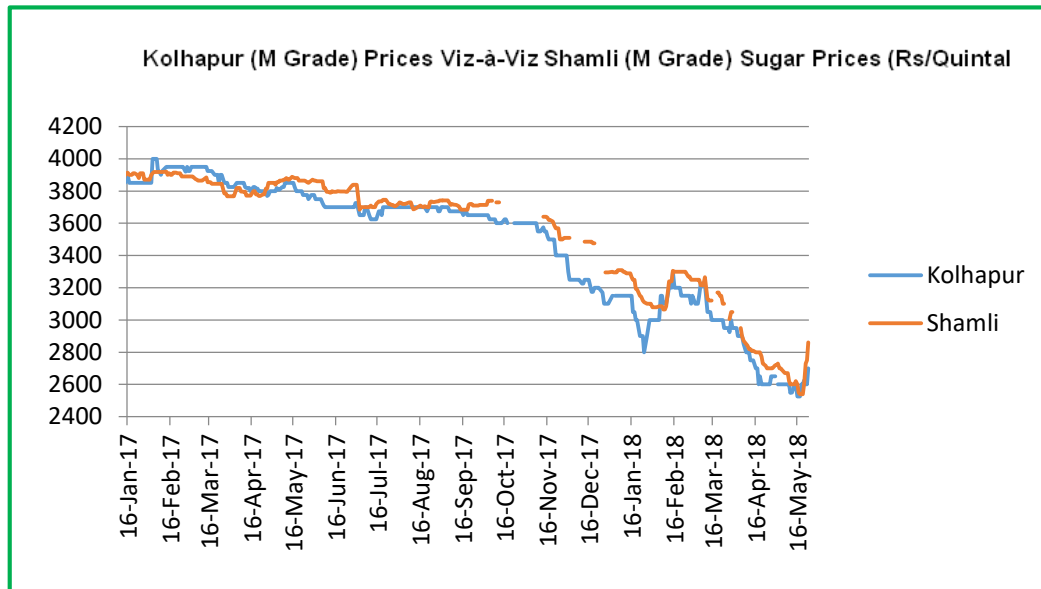
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Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market gained after a series of government interventions to control the free falling sugar prices as the stocks surge in the sugar mills.

The average price for sugar 'M' grade in Kolhapur market weakened to INR 2597 per quintal in a week, gaining INR 97 per quintal from previous week.

However weekly spot sugar prices for the same variety/grade in Shamli district is 2638 per quintal this week gaining by 13 rupees per quintal against last week average prices,



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

- The cooperative sugar mills in Haryana has crushed 443.13 lakh quintal of sugarcane producing 44.15 lakh quintal sugars according to Haryana Sugarfed.
- Ongoing sugar campaign is sowing increased area this year. The cultivated area of sugarcane has increased by 1.6 per cent over that of the previous year. Till 25th of May 48.67 lakh hectares has been brought under sugar.

- With policy support from government sugar mills in Maharashtra are planning to sign export contracts with neighboring countries before the start of the next season. Mills are targeting 3-3.5 million tonnes (mt) exports of raw sugar to Bangladesh and China and another 2-2.5 mt of white sugar to Sri Lanka.
- Maharashtra's current sugar season officially ended on Wednesday with the last of the 187 mills ceasing operations. The state has produced 10.7 mt of sugar, the highest in the last 10 years. Last year Maharashtra produced just 4.2 mt of sugar.
- Millers are planning to start the new season crushing a month early as compared to beginning in post Diwali and plan to produce only raw sugar for exports. The total export of raw sugar is expected to be 5-6 mt, in coming season. As the international prices has firmed up indian ugar has gained parity for exports.
- The Ministry Consumer Affairs, Food and Public Distribution has moved a draft Cabinet note on creating a sugar buffer stock of three million tonnes and fixing a minimum ex-mill price to help cash-starved millers clear cane arrears which have surged to about Rs 22,000 crore.
- In Punjab with the bumper production of Sugar the molasses prices has also crashed with the prices tumbled to INR 120 .per quintal against the prices of INR 600 per quintal last year.
- According to data accessed from cane commissioner office, all 16 sugar mills (private and cooperative combined) crushed around 840 lakh quintals of cane this year as compared to 675 lakh quintals last year. The sugar recovery this year was 81 lakh quintals compared to 66 lakh quintals in 2016-17.
- The molasses produced in the state this year is anywhere between 33.6-37.8 lakh quintals. Around 95 per cent of molasses in the state is used by distillery and the remaining by cattle feed industry.

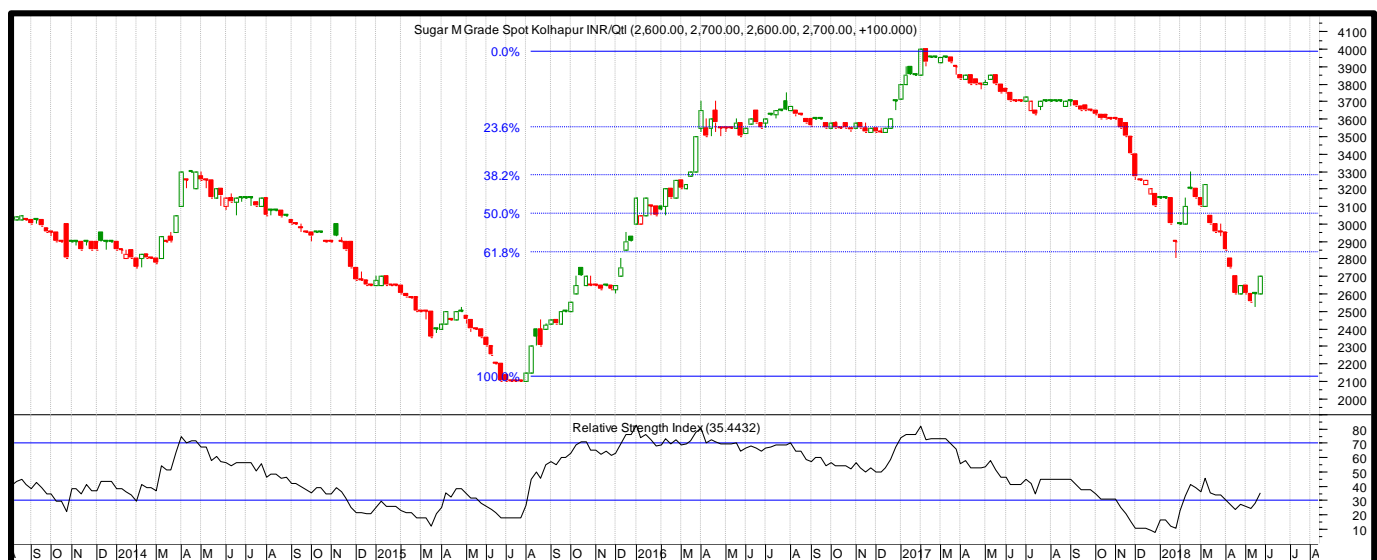
Previous Updates

- 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.
- 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.
- 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 3rd.

- 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.
- 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.
- 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.

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

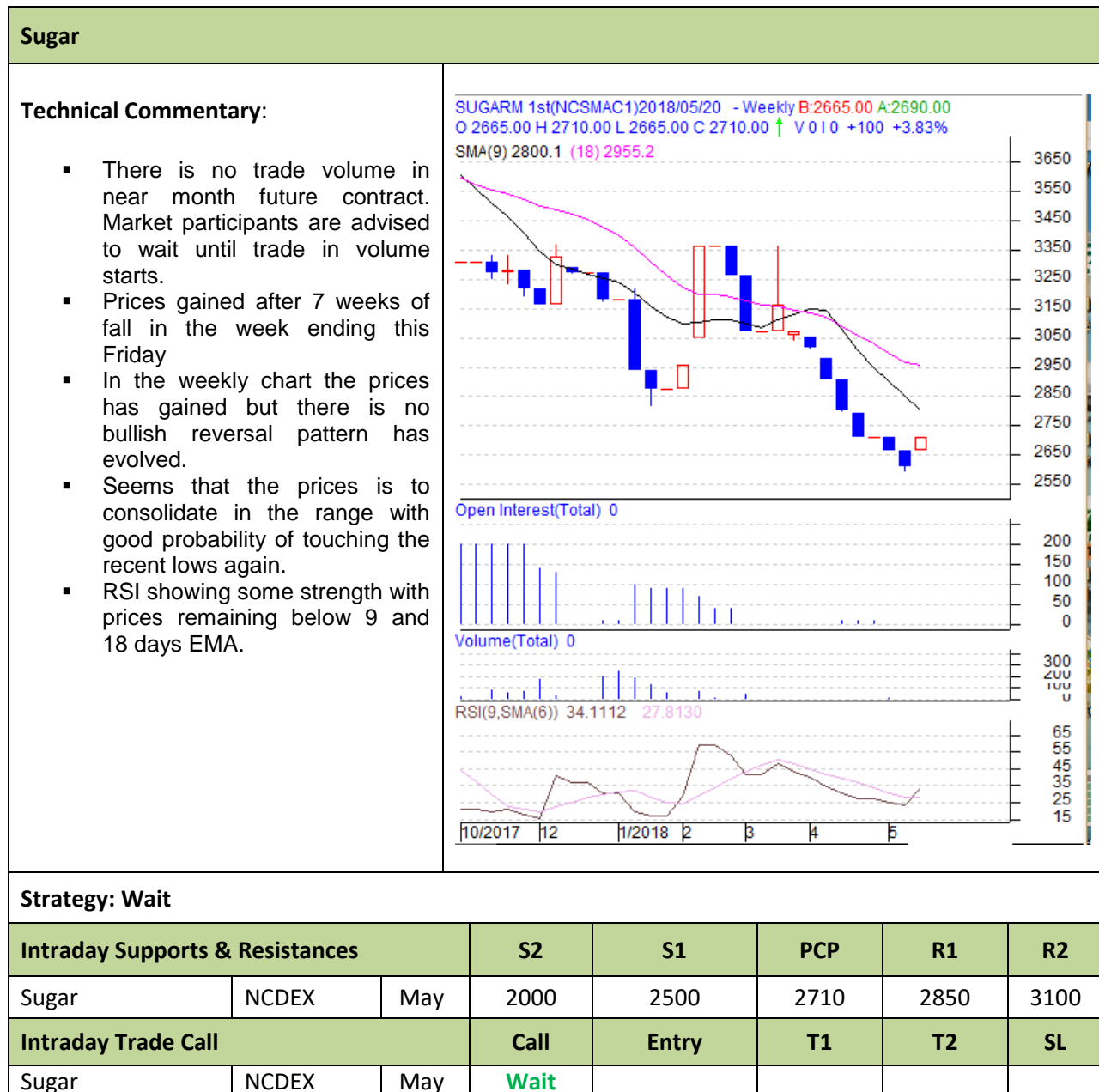
- Sugar spot prices at benchmark Kolhapur market closed at Rs 2750 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 2800 and Rs 2500 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



Domestic Sugar Market Technical Analysis (Future Market)

Commodity: Sugar
Contract: Sugar 1 M Cont

Exchange: NCDEX



* 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

ICE Sugar 11 and LIFFE Sugar gained over a week over the production concerns in Brazil and expected decline in sugar stocks over rise in ethanol production.

International Market Highlights

Recent Updates

- Brazil's centre-south, the world's largest sugar producing region, is likely to have less cane to process this year than previously expected due to a prolonged period without widespread.
- Sugar production in Cuba is 40% down over heavy rainfall and unsupportive government policy. Cuba used to produce 1.8 million tons which this year is expected to be around 1.1 million tons.
- Brazilian mills are expected to have allocated only 37.7 percent of cane to sugar, the lowest for that period since 2015/16. Rest is expected to be used for the production of ethanol. Some Brazilian sugar mills in the centre-south region have reduced cane harvesting work because of short diesel fuel supplies owing to a nationwide truckers protest.
- Brazilian sugar producers operations have been affected by nationwide truckers protests against high diesel prices that entered a third day on Wednesday.
- Indonesia has issued import permits for 635,000 tonnes of raw sugar for household consumption for March-September 2018 delivery, according to the Trade Ministry.
- According to a statement on China Merchandise Reserve Management Center, Indian sugar refiners and exporters will meet Chinese importers and processors in Beijing next month to discuss opening up market access. India hopes to export more of its sugar to China before and after the next cane-crushing season in the South Asian country, which starts in October this year.
- Beet sugar sowing is under way in the Volga region, Ukraine and EU and the price decline has been a concern to the farmers. As sugar prices were attractive in 2017, beet growers prepared for the end of quotas by increasing their production areas for the 2017/2018 campaign. Last season France and Germany, the two main producers, increased land under sugar beet by 25%. This year however the acreages are low in France. The EU abolished limits on sugar beet production at the end of September 2017, dramatically boosting output and paving the way for the EU to become a net exporter for the first time in more than a decade.

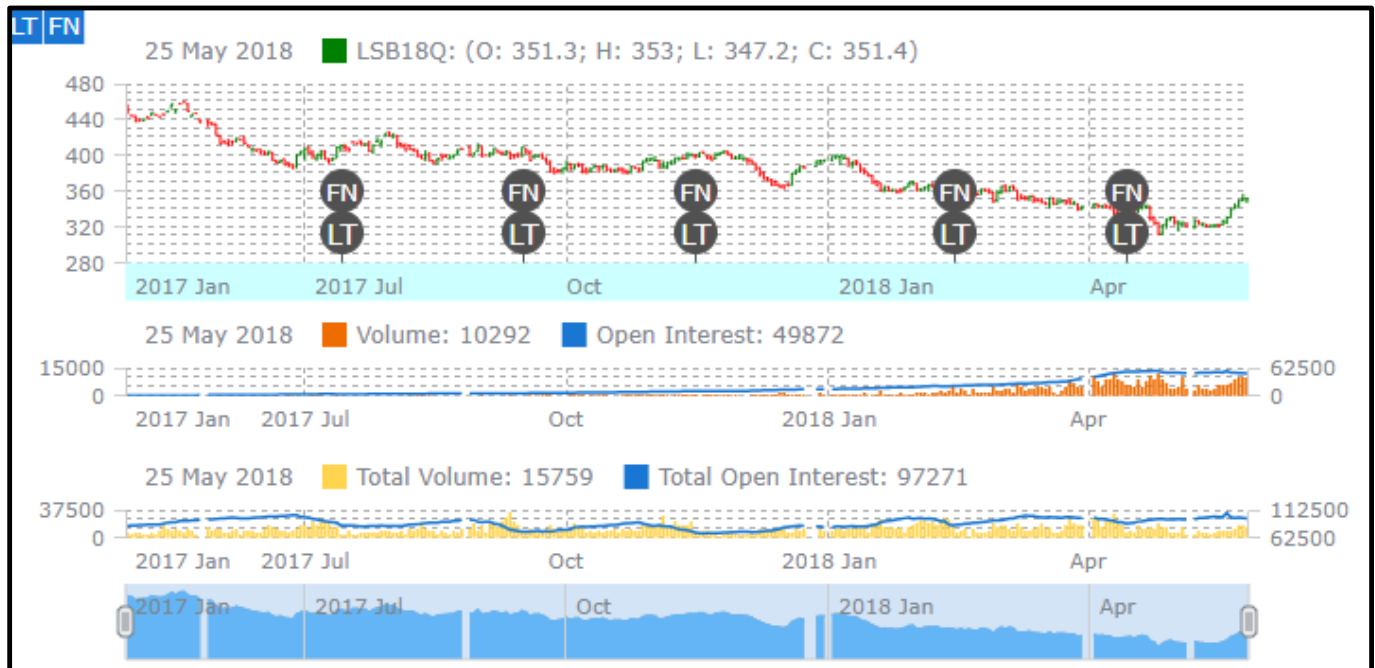
Previous Updates

- 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.
- 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 (Aug'18 Contract)



Technical Commentary

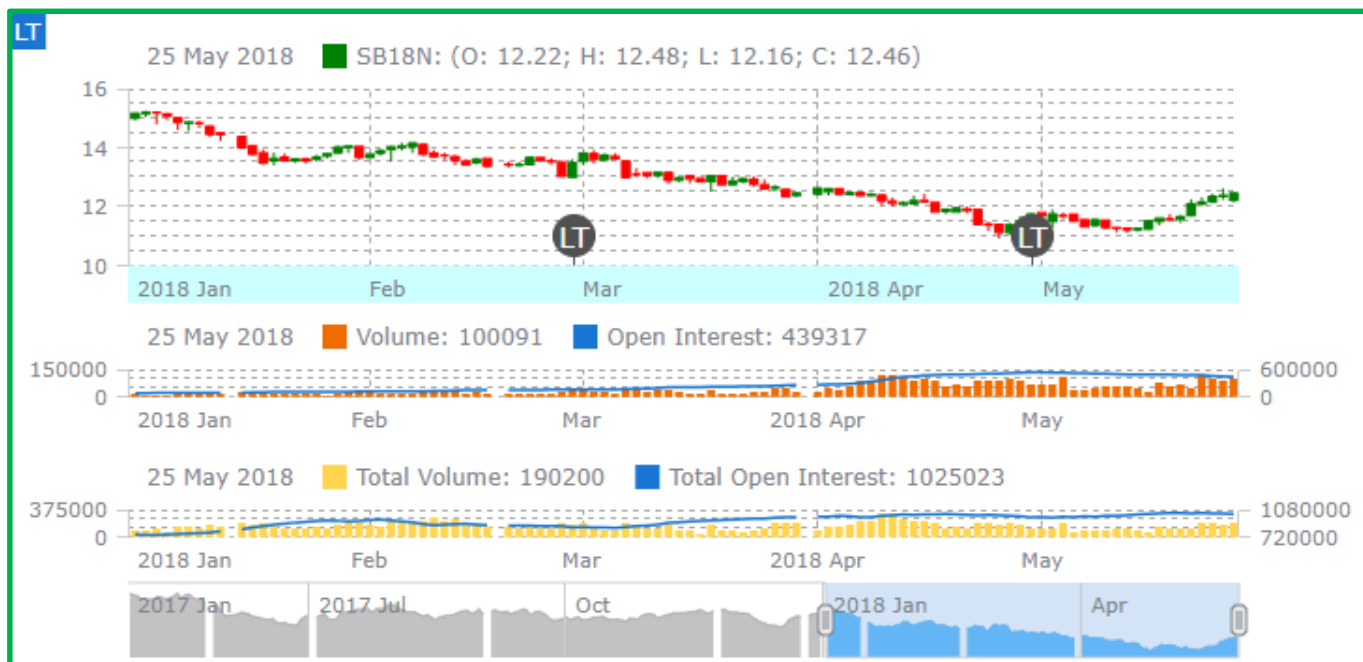
- LIFE future market trends strong for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 330, T1 340

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Aug'18	351.14	340-360

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

Technical Commentary:

- ICE raw sugar futures trend downward for the month.
- Last candlestick depicts bearishness in the market. Strategy: sell at 12.45 targeting 12.2



International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Jul'18	12.44	11-12

Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2750 /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			18th May to 24th May, 2018	11th May to 17th May, 2018	
Delhi	Delhi	M-Grade	2840	2823	18
	Delhi	S-Grade	2820	2803	18
Uttar Pradesh	Khatauli	M-Grade	2747	2703	44
	Ramala	M-Grade	NR	NR	-
	Dhampur	M-Grade Ex-Mill	2612	2593	18
	Dhampur	S-Grade Ex-Mill	2592	2573	18
	Dhampur	L-Grade Ex-Mill	2662	2643	18
Maharashtra	Mumbai	M-Grade	2910	2927	-17
	Mumbai	S-Grade	2690	2677	14
	Nagpur	M-Grade	2717	2683	33
	Nagpur	S-Grade	2617	2583	33
	Kolhapur	M-Grade	2592	2558	33
	Kolhapur	S-Grade	2492	2458	33
Assam	Guhawati	S-Grade	2793	2759	34
Meghalaya	Shillong	S-Grade	2812	2778	33
Andhra Pradesh	Vijayawada	M-Grade	3073	3060	13
	Vijayawada	S-Grade	3013	3000	13
West Bengal	Kolkata	M-Grade	3004	2915	89
Tamil Nadu	Chennai	S-Grade	2828	2798	31
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			24-May-18	17-May-18	24-Apr-18	24-May-17
Delhi	Delhi	M-Grade	2844	2800	2950	3890
	Delhi	S-Grade	2824	2780	2930	3870
Uttar Pradesh	Khatauli	M-Grade	2910	2680	2783	3890
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	2750	2560	2700	3850
	Dhampur	S-Grade Ex-Mill	2730	2540	2680	3830
	Dhampur	L-Grade Ex-Mill	2800	2610	2750	3900
Maharashtra	Mumbai	M-Grade	2930	2890	3030	4090
	Mumbai	S-Grade	2736	2640	2740	3900
	Nagpur	M-Grade	2725	2650	2725	3900

	Nagpur	S-Grade	2625	2550	2625	3850
	Kolhapur	M-Grade	2600	2525	2600	3775
	Kolhapur	S-Grade	2500	2425	2500	3725
Assam	Guhawati	S-Grade	2801	2725	2801	4045
Meghalaya	Shillong	S-Grade	2820	2745	2820	4045
Andhra Pradesh	Vijayawada	M-Grade	3100	3060	3320	4120
	Vijayawada	S-Grade	3040	3000	3260	4080
West Bengal	Kolkata	M-Grade	3130	2900	3075	4050
Tamil Nadu	Chennai	S-Grade	2875	2785	3200	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)			18th May to 24th May,2018	11th May to 17th May,2018	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2602	2661	-59
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	11500	21500	-10000
	Muzaffarnagar	Khurpa (Fresh)	2373	2400	-27
	Muzaffarnagar	Laddoo (Fresh)	2601	2538	63
	Muzaffarnagar	Rascut (Fresh)	2271	2136	135
	Hapur	Chaurasa	2293	2270	23
	Hapur	Balti	2368	2313	55
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4400	4400	Unch
	Belgaum	Mudde (Average)	2867	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	2754	2830	-76
	Gulbarga	Other (Average)	2867	2763	104
	Mahalingapura	Penti (Average)	2804	2719	85
	Mandya	Achhu (Medium)	3492	3500	-8
	Mandya	Kurikatu (Medium)	3200	3150	50
	Mandya	Other (Medium)	3300	3167	133
	Mandya	Yellow (Medium)	3413	3250	163
	Shimoga	Achhu (Average)	3738	3750	-13

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			24-May-18	17-May-18	24-Apr-18	24-May-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	2563	2625	2613	3150
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	1500	4000	3000	1500
	Muzaffarnagar	Khurpa	2388	2300	2375	2963
	Muzaffarnagar	Laddoo	2625	2553	2538	3188
	Muzaffarnagar	Rascut	2288	2175	2103	2550
	Hapur	Chaurasa	2313	2300	2250	NA
	Hapur	Balti	2500	2313	2200	NA
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4400	4400	4400	4950
	Belgaum	Mudde (Average)	NA	2800	NA	3600
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	2750	2785	2745	3200
	Gulbarga	Other (Average)	NA	2690	2650	3640
	Mahalingapura	Penti (Average)	2825	2739	2992	3458
	Mandya	Achhu (Medium)	3450	3450	3250	4200
	Mandya	Kurikatu (Medium)	3250	3100	3100	4100
	Mandya	Other (Medium)	NA	NA	3000	3850
	Mandya	Yellow (Medium)	3400	3400	3250	4000
	Shimoga	Achhu (Average)	NA	NA	3550	4700

International Sugar Prices (Weekly)				
	Contract Month	23-May-18	16-May-18	Change
ICE Sugar #11 (US Cent/lb)	18-Jul	12.35	11.61	0.74
	18-Oct	12.72	11.89	0.83
	19-Mar	13.58	12.79	0.79
LIFFE Sugar (US \$/MT)	18-Aug	349.40	322.50	26.90
	18-Oct	345.80	320.50	25.30
	18-Dec	350.00	327.60	22.40

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