

Sugar & Gur Weekly Research Report

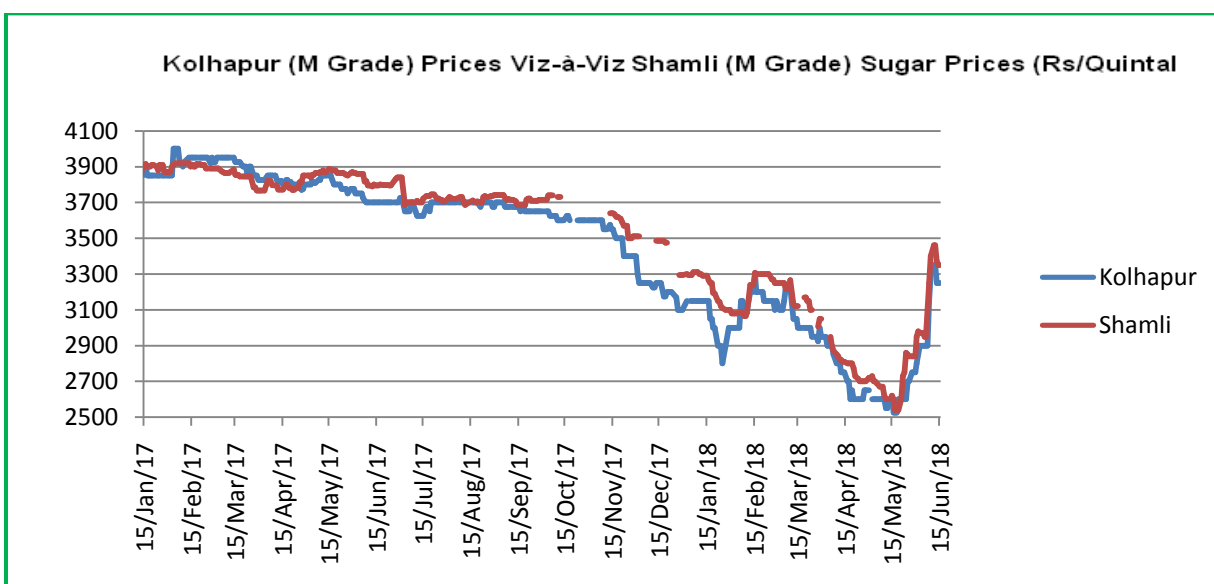
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Domestic Sugar Market Summary

Spot sugar prices at benchmark Kolhapur market gained after a series of government interventions to support the mills reeling under falling sugar prices as the stocks surges in the sugar mills. As part of the measures, government has fixed minimum ex-mill prices at Rs.2900 across the country, creation of a buffer stock of 3 million MT of sugar and soft loans for creating ethanol production capacity.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3377 per quintal last week gaining INR 392 per quintal from the previous week; while spot sugar prices for the same grade in Shamli district is 3271 per quintal at the end of last week, gaining 285 rupees per quintal against previous week's average prices



Price Outlook:

- Sugar prices continued to gain in the third week post government steps to support the industry.
- Sugar prices at the wholesale markets witnessed a sharp jump on the back of Rs 8,500-crore bailout package coupled with increased off take by bulk consumers amid tight supplies.

Price Projection for the Next Month

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 2950–Rs 3500 per quintal for next week.

Fundamental summary:

Price Drivers	Impact
India pitching to export 1.5 mn tons of sugar to China under China's 50% tariff category	Bullish
Surplus sugar production of 32 mn tonnes against only 20.3 mn tonnes last year	Bearish
Higher cane acreage for 2018-19	Bearish

Domestic Market Highlights
Recent Updates

- The sugarcane area is higher by 0.5 lh mainly on rise in acreage in Uttar Pradesh, Maharashtra, Karnataka, Haryana, Bihar and Andhra Pradesh.
- The benchmark M30 variety of sugar, which had hit the lowest this season to Rs 2,762 a quintal on May 19 on a supply glut, rose sharply over the next three weeks to trade at Rs 3,341 in the wholesale Vashi Mandi on last week.
- Sugar production is estimated to be around 31 million tonnes and consumption 25 million tonnes. With an opening stock of 4 million tonnes, the year will close with a total stock of 10 million tonnes that will be carried forward to the 2018-19 sugar season.
- Cane area under cultivation in Karnataka is about to increase 10-15 % in 18/9 vs 17/18. Supportive weather and good rainfall were the reasons for increase in acreage.
- The expenditure in creating a buffer stock of 3 mt is estimated to be Rs 11.75 billion, while the interest burden the Centre will bear for providing loans of up to Rs 44 billion for setting up a fresh ethanol capacity is estimated to be around Rs 13.32 billion. This totals around Rs 41 billion, far short of the Rs 70 billion claimed by the government.
- In the case of ethanol, the package entails that banks will not charge interest on loans taken for setting up an ethanol capacity in the first year. From the second year onwards, they will be charged a subsidised interest rate of 6 per cent, whose burden on the exchequer is expected to be around Rs 13.32 billion.
- At present, the cost of producing sugar in north India, mainly UP, is around Rs 3,500 a quintal, while the exmill sale price is around Rs 3,350 a quintal.
- Mills in UP are struggling to clear cane dues despite two incentives by the Centre in less than a month. This, sugar mills in the state said, would be easily wiped off in the days to come and mills would also have some liquidity to commence operations in the coming crushing season, starting in the next 100 days.

Previous Updates

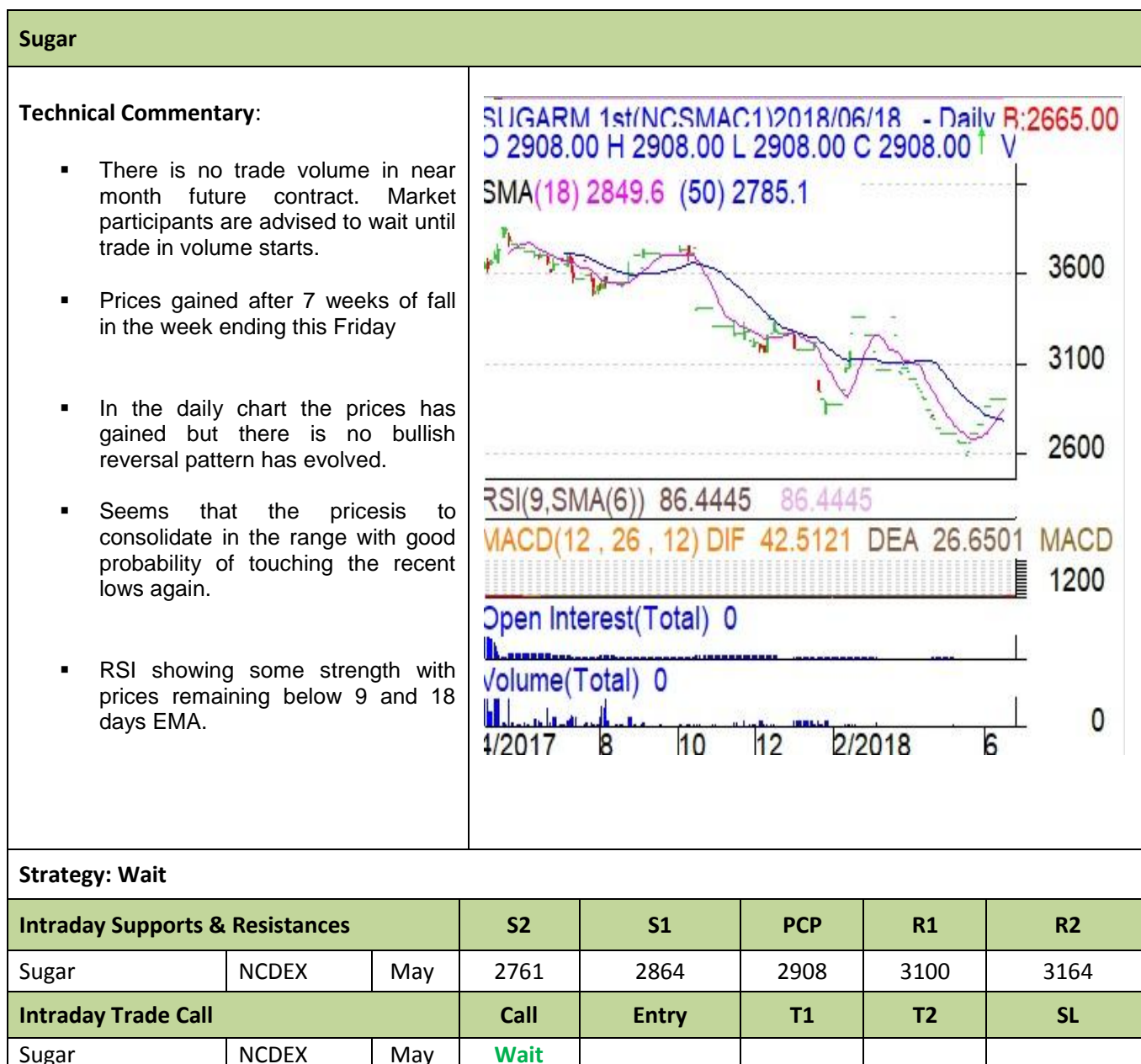
- Concerned over rising farmer's discontent over lower payments and the build up of cane arrears, the government has approved a Rs 8,500 crore package that aims to increase farmers income by creating a buffer stock for sugar and enhancing ethanol production capacity allowing additional outlet for sugarcane produce in a bumper season. The package is expected to help mills clear over 40% of the arrears to farmers.

- As per the Cabinet decision, a sum of Rs 4,440 crore will be provided as soft loan to the sector for building ethanol production capacity to absorb the cane and a buffer stock of 3 million tonnes. In addition, for the first time Rs 29 per kg has been fixed as the minimum price below which mills cannot sell the sweetener. These decisions are aimed at helping mills in clearing part of over Rs 22,000-crore arrears to cane farmers.
- As per the sowing data released by the Agriculture Ministry, as on 1 June 2018, sugarcane has been planted in around 49.32 lakh hectares (lh) across the country, higher than 48.72 lh in the corresponding week last year and normal of 45.02 lh till date.
- India has last week made a strong pitch to export 1.5 mn tons of sugar to China under the 50% tariff category to reduce surplus. China imports 4-5 mn tonnes sugar annually but India's sugar export to China has thus far been very small. The deal is expected to be finalised by August & exports to China might begin after September this year.
- UP's sugar production has increased by about 36 per cent from 87.73 lakh tonnes in the previous year to 119.12 lakh tonnes, and still counting, in the current year. The state's sugar production is expected to go up further in the 2018-19 crushing season.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3377quintal this week.
- Next resistance and support level for the coming month has been seen at Rs3500 and Rs 3300per 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.

Sugar Domestic Balance Sheet

	2015-16	2016-17	2017-18	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	90.8	77	38.24	38.24	58.18	176.99	123.87
Estimated sugar production	251.25	202.85	320	94.64	169.76	23.58	12.02
Imports	0	4.46	2.85	1	1.85	0	0
Estimated sugar availability (A + B + C)	342.05	284.31	361.09	133.88	229.79	200.57	135.89
Exports	16.56	0.46	3	0	0	1	2
Availability for domestic consumption (D - E)	325.49	283.85	358.09	133.88	229.79	199.57	133.89
Estimated sugar consumption	248.49	245.61	260	75.7	52.8	76.7	54.8
Carry out stock (G - H)	77	38.24	98.09	58.18	176.99	122.87	79.09

Note: Indian sugar marketing year begins from October – September.

As per the Agriwatch estimate, India's sugar production is expected to rise to 320 LT in 2017/18 as the country is expecting a good cane crop this marketing year particularly from the state of Uttar Pradesh & Maharashtra. Agriwatch is expecting Maharashtra to produce 75 LT of sugar in 2017-18 (01st October, 2017 -30th September, 2018)

In addition, Uttar Pradesh is also expected to produce a large quantity of sugar this year too due to a surge in cane area, yield and sugar recovery. Agriwatch is expecting U.P to produce 102 LT of sugar in 2017-18 (01st October, 2017 -30th September, 2018); while Karnataka is expected to produce 21 LT of sugar during the same duration.

On the other hand, sugar domestic consumption is expected to rise to 260.00 lakh tonnes in 2017-18 (01st October, 2017 – 30th September, 2018).

At the same time, with a higher domestic sugar production and an urge to earn more foreign exchange, the country's exports are expected to 3.00 LT in 2017-18. As even good production in Thailand, Brazil and other our neighbor countries expecting less export demand

International Market Highlights
Recent Updates

- Raw sugar futures in New York rebounded sharply as the nearby July contract rose back above the 12¢/lb threshold in its biggest one-day rally of the year.
- The USDA reduced its estimate of total US sugar supply for 2018/19 by 44,387 short tons, raw value, to 14.203 mln in its June WASDE report on lower beginning stocks and lower cane sugar production.
- sugar experienced a wave of Brazilian selling as the Real hit two-year lows last week, bringing producers an unexpected profit windfall.

- French sugar group Cristal Union has abolished the minimum beet price for the 2018/19 campaign as it expects sugar prices to fall further in coming months.
- Mexico's 2017/18 sugarcane crush continued to wind down as production dropped to 55,127 tonnes in the week to June 9 from 92,959 a week earlier, industry data showed.

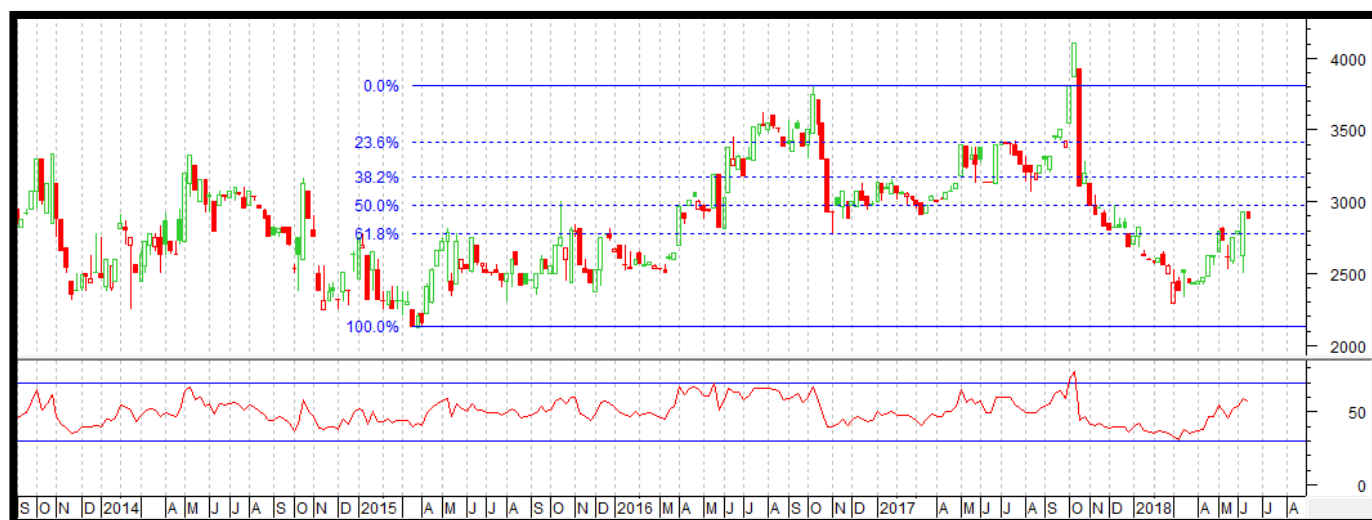
Previous Updates

- The US exported 614.7 million liters (162.27 million gallons) of ethanol in April, 86% more than in April 2017, but down 24.51% month on month, US Census Bureau data showed last week.
- Brazil was the largest buyer of fuel-grade ethanol in April, imported 230.78 million liters (60.9 million gallons) after taking 363.15 million liters in March
- Thailand's sugar production increased by 54% in raw value, industry data showed, as its season comes to an end.
- Thailand's record sugarcane crush ends at almost 135 mln tones. The last mills ended the record-breaking 2017/18 season on May 31, after 182 days of operations.
- Mexico produced 121,891 tonnes of sugar, tel quel, in the week to May 26, down from 141,103 a week earlier but above 94,209 in the same week a year ago, official data showed.
- Raw sugar futures in New York built on their gains of the previous sessions despite an easing of production and export disruptions in Brazil and a large global supply glut.

Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2898/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 2950 and Rs 2700 per quintal respectively.

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

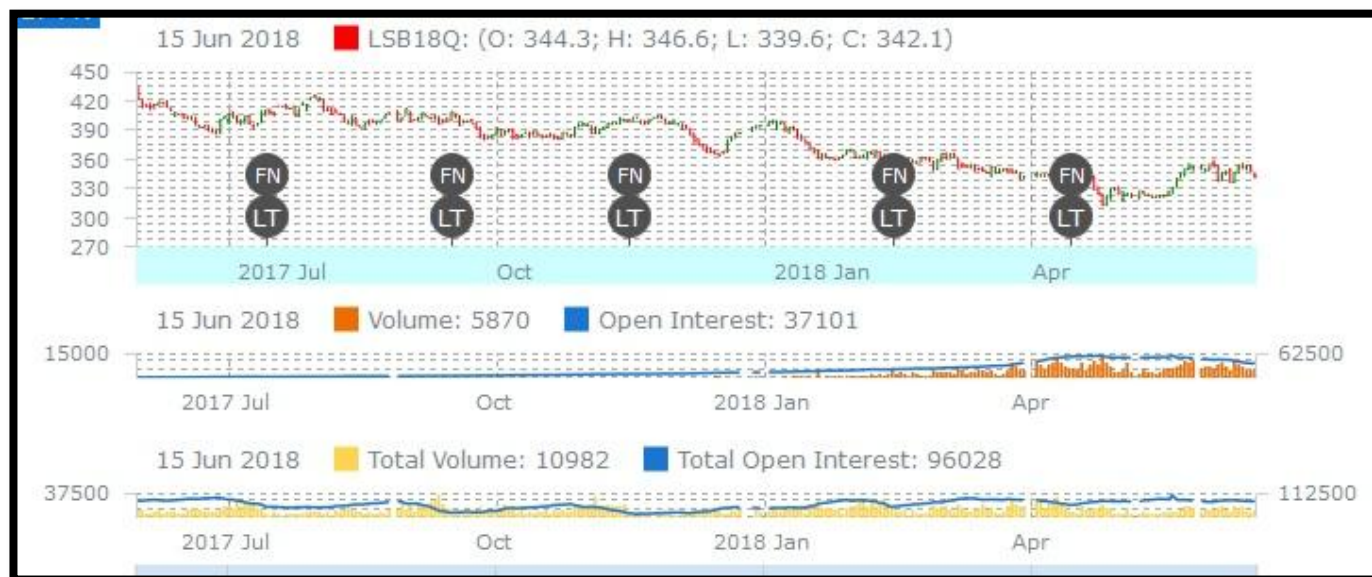


International Sugar Futures Price Projection

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

Technical Commentary

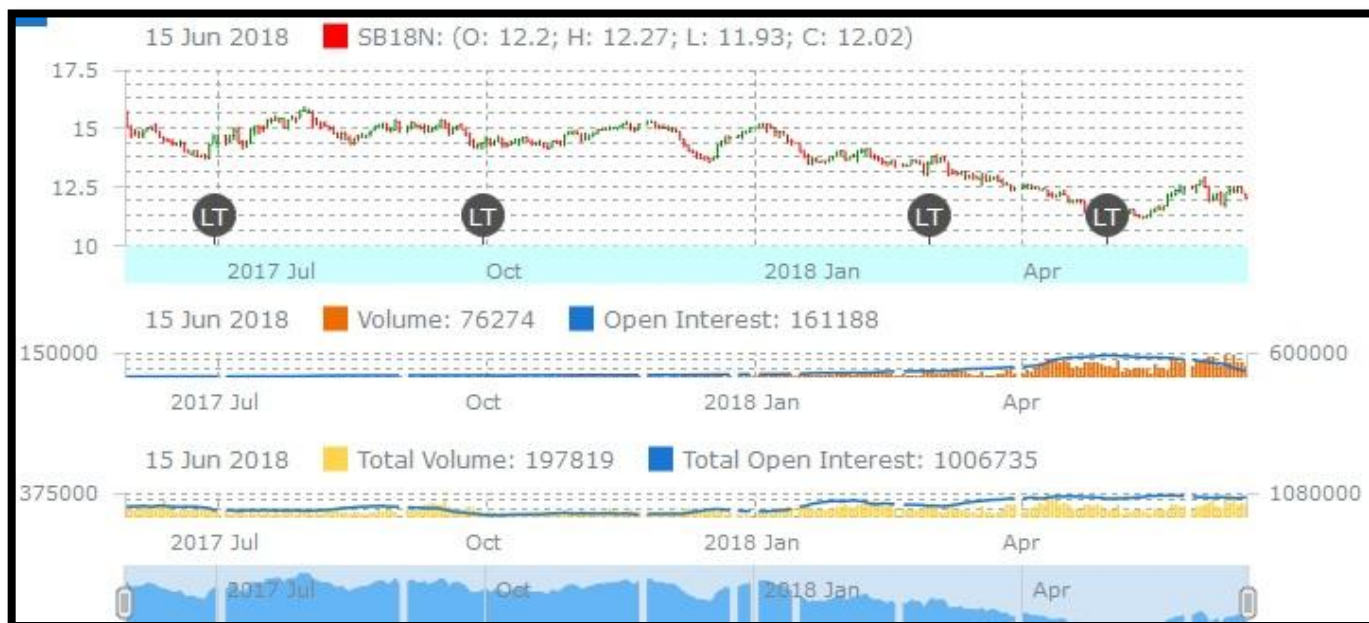
- LIFFE future market trends strong for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 350, T1 370



International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Aug'18	342	340-360

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

- ICE raw sugar futures trend upward for the week.
- Last candlestick depicts bullishness in the market. Strategy: sell at 13 targeting 13.8



International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Jul'18	12.02	11-14

Spot Sugar Prices Scenario (Weekly) (Average)

Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			8th June to 14th June, 2018	1st June to 7th June, 2018	
Delhi	Delhi	M-Grade	3422	3233	188
	Delhi	S-Grade	3402	3213	188
Uttar Pradesh	Khatauli	M-Grade	3473	3121	353
	Ramala	M-Grade	NR	NR	-
	Dhampur	M-Grade Ex-Mill	3300	2975	325
	Dhampur	S-Grade Ex-Mill	3280	2955	325
	Dhampur	L-Grade Ex-Mill	3350	3025	325

Maharashtra	Mumbai	M-Grade	3435	3108	327
	Mumbai	S-Grade	3205	2953	253
	Nagpur	M-Grade	3400	3017	383
	Nagpur	S-Grade	3300	2917	383
	Kolhapur	M-Grade	3275	2892	383
	Kolhapur	S-Grade	3175	2792	383
Assam	Guhawati	S-Grade	3487	3097	389
Meghalaya	Shillong	S-Grade	3495	3112	383
Andhra Pradesh	Vijayawada	M-Grade	3590	3210	380
	Vijayawada	S-Grade	3530	3150	380
West Bengal	Kolkata	M-Grade	3660	3260	400
Tamil Nadu	Chennai	S-Grade	3442	3154	288
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			14-Jun-18	7-Jun-18	14-May-18	14-Jun-17
Delhi	Delhi	M-Grade	3400	3350	2800	3850
	Delhi	S-Grade	3380	3330	2780	3830
Uttar Pradesh	Khatauli	M-Grade	3440	3220	2700	3830
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3300	3050	2600	3750
	Dhampur	S-Grade Ex-Mill	3280	3030	2580	3730
	Dhampur	L-Grade Ex-Mill	3350	3100	2650	3800
Maharashtra	Mumbai	M-Grade	3460	3220	2940	4010
	Mumbai	S-Grade	3210	3040	2660	3852
	Nagpur	M-Grade	3375	3025	2725	3825
	Nagpur	S-Grade	3275	2925	2625	3775
	Kolhapur	M-Grade	3250	2900	2600	3700
	Kolhapur	S-Grade	3150	2800	2500	3650
Assam	Guhawati	S-Grade	3461	3106	2801	3969
Meghalaya	Shillong	S-Grade	3470	3120	2820	3970
Andhra Pradesh	Vijayawada	M-Grade	3660	3260	3060	4120
	Vijayawada	S-Grade	3600	3200	3000	4060
West Bengal	Kolkata	M-Grade	3580	3250	NA	4010
Tamil Nadu	Chennai	S-Grade	3500	3100	2800	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)			8th June to 14th June,2018	1st June to 7th June,2018	
Uttar Pradesh	Muzaffarnagar	Chaku Sukha(Cold)	2887	2711	176
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	1200	2300	-1100
	Muzaffarnagar	Khurpa (Fresh)	2762	2580	182
	Muzaffarnagar	Laddoo (Fresh)	3098	2875	224
	Muzaffarnagar	Rascut (Fresh)	2375	2252	123
	Hapur	Chaurasa	2440	2320	120
	Hapur	Balti	2480	2460	20
Maharashtra	Latur	Lal Variety	NR	NR	-
Karnataka	Bangalore	Mudde (Average)	4300	4350	-50
	Belgaum	Mudde (Average)	2850	3000	-150
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	2958	2738	220
	Gulbarga	Other (Average)	2777	2805	-28
	Mahalingapura	Penti (Average)	3142	2836	306
	Mandya	Achhu (Medium)	3472	3480	-8
	Mandya	Kurikatu (Medium)	3150	3110	40
	Mandya	Other (Medium)	3200	3240	-40
	Mandya	Yellow (Medium)	3340	3430	-90
	Shimoga	Achhu (Average)	3688	3692	-4

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			14-Jun-18	7-Jun-18	14-May-18	14-Jun-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	NA	2750	2613	NA
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	300	4000	NA
	Muzaffarnagar	Khurpa	2750	2625	2325	NA
	Muzaffarnagar	Laddoo	NA	2990	2500	NA
	Muzaffarnagar	Rascut	NA	2200	2113	NA
	Hapur	Chaurasa	2500	2325	Closed	NA
	Hapur	Balti	2500	2450	Closed	NA
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4300	4300	4400	5000
	Belgaum	Mudde (Average)	NA	2800	2850	3500
	Belthangadi	Yellow (Average)	NA	NA	NR	NR

	Bijapur	Achhu	2950	2725	NA	3475
	Gulbarga	Other (Average)	NA	2760	2750	3640
	Mahalingapura	Penti (Average)	3230	2922	2698	3321
	Mandya	Achhu (Medium)	3500	3450	3550	4000
	Mandya	Kurikatu (Medium)	3150	3150	3200	3900
	Mandya	Other (Medium)	3300	3250	3150	3650
	Mandya	Yellow (Medium)	3400	3400	3300	3750
	Shimoga	Achhu (Average)	NA	3650	NA	4650

International Sugar Prices (Weekly)				
	Contract Month	13-Jun-18	6-Jun-18	Change
ICE Sugar #11 (US Cent/lb)	18-Jul	12.51	12.20	0.31
	18-Oct	12.76	12.47	0.29
	19-Mar	13.36	13.25	0.11
LIFFE Sugar (US \$/MT)	18-Aug	353.40	347.30	6.10
	18-Oct	351.20	343.40	7.80
	18-Dec	352.50	345.40	7.10

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