

Sugar & Gur Weekly Research Report

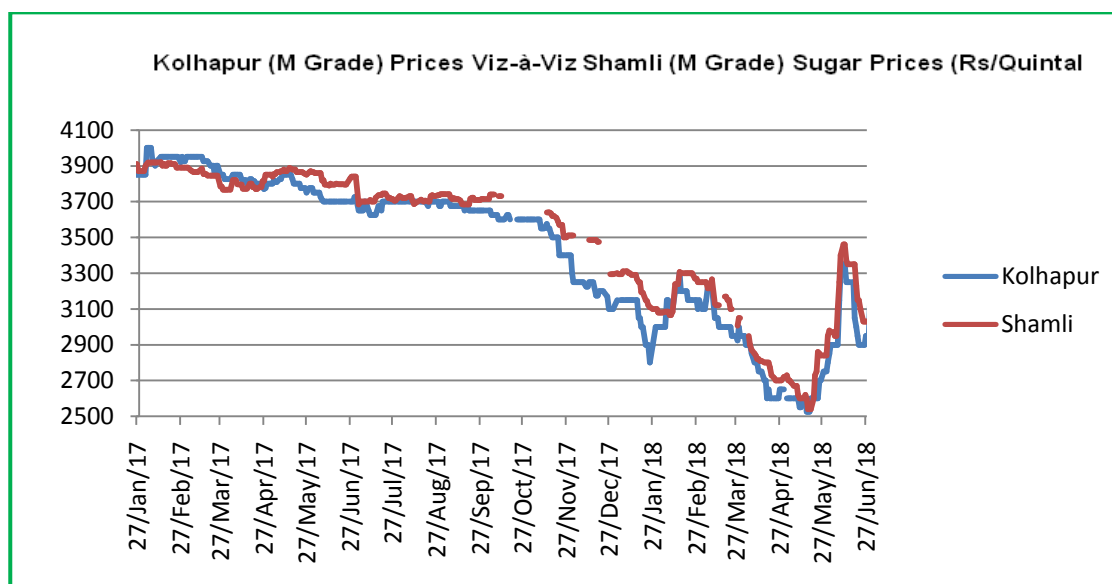
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Domestic Sugar Market Summary

The wholesale sugar market prices depicted a steady to weak during the week, even after 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 and The government hiked the price of ethanol produced from C molasses by Rs 2.85 per litre to Rs 43.70 for the new season starting December.

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2975 per quintal last week declined INR 33 per quintal from the previous week; while spot sugar prices for the same grade in Shamli district is 3030 per quintal at the end of last week, declined 191 rupees per quintal against previous week's average prices



Price Outlook:

- Sugar prices at the wholesale markets witnessed steady to weak during the week.

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
Hiked the price of ethanol produced from C molasses by Rs 2.85 per litre to Rs 43.70 for the new season starting December.	Bullish
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 government on last week allowed mills to sell 1.6 million tonnes of sugar in July against traders' expectations of over 2 million tonnes, which is equivalent to the monthly average release of nearly 2.13 million tonnes.
- The current month quota is insufficient to meet consumers' demand despite being lean season, with lack of festivals and wedding or any other such occasions in this month. The release quantity is 23 per cent lower than the average monthly consumption of 2.13 million tonnes,"
- In June, sugar mills in Maharashtra could not finish sale of their allotted quota at Rs 2,900 a quintal. The quantity of their unsold stocks is estimated to be 200,000 tonnes," said Praful Vithalani, Chairman, All India Sugar Trade Association (AISTA).
- Sugar Industry demanded that the sugar MSP be revised to almost Rs 35/kg for Uttar Pradesh, the country's top producer, and Rs 33/kg for mills located in the western and southern regions, notably Maharashtra, Karnataka and Tamil Nadu.
- The government on last week hiked the price of ethanol produced from C molasses by Rs 2.85 per litre to Rs 43.70 for the new season starting December. In a first, it also fixed the price of ethanol produced from B heavy molasses at Rs 47.49 per litre in its bid to encourage sugar mills to divert cane for producing ethanol over the sweetener to bail out for the sugar mills.
- To create a buffer stock of 3 million tonnes (mt) of sugar to help the industry tide over a glut in production, the government has provisionally allocated quota of sugar that could be maintained by different sugar mills as buffer stock. The authorities have given the mills time till Wednesday to decide whether they want to participate in the scheme as well as to decide whether they would settle for a lesser quantum than that has been tentatively allocated.

Previous Updates

- Sugar mills in Uttar Pradesh, the country's largest sugar and sugarcane producing state, have been put on a 15-day notice to settle cane dues of over Rs 123 billion, failing which stringent action will be taken against them.

- Amid record sugar production coupled with sugarcane arrears in Uttar Pradesh (UP), the Yogi Adityanath government has urged the Centre to increase the monthly sugar sale quota of state mills by 60 per cent to a million tonnes (MT).
- 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.
- Over a week, after the sugar package was notified, sugar prices have improved across the country. In Maharashtra, the ex-mill price is above Rs 30a kg while in UP 02it's is around Rs 32.
- India is likely to export around 500,000 tonnes, or just a quarter of the volume mandated by the government for overseas sales in the 2017-18 season amid higher prices at home industry officials told Reuters.
- Mills are not interested in exports as they are getting higher prices in the local market. Said Verma director general of the Indian Sugar Mills Association.
- On the creation of buffer stock of 3 million tons announced earlier the Union Ministry of Consumers Affairs and Public Distribution has decided to finance the cost of sugar and storage at mill-owned godowns along with sugar pledged by mills with banks, instead of buying sugars. It will also bear a finance cost of 12 per cent a year or actual interest charge by the banks, whichever is lower, along with insurance and storage charges at 1.5% per year.

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

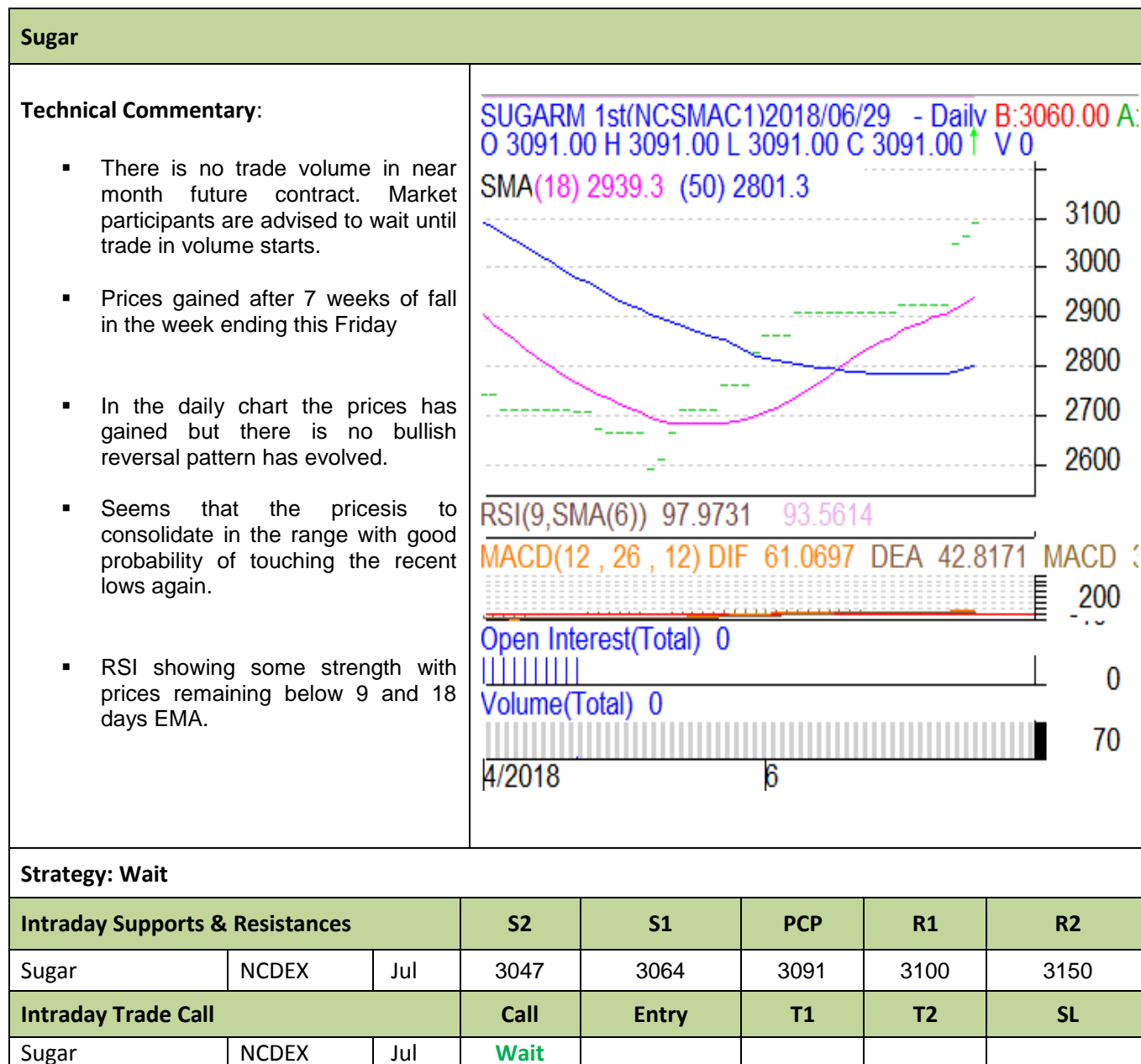
- Sugar spot prices at benchmark Kolhapur market closed at Rs 2975 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs3200 and Rs 2900per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



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

		2016-17	2017-18	2018-19	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
A	Carry in stock	77	38.24	98.09	188.09	212.95	235.05	202.83
B	Estimated sugar production	202.85	320	355	100.66	187.78	46.48	20.08
C	Imports	4.46	2.85	0	0	0	0	0
D	Estimated sugar availability (A + B + C)	284.31	361.09	453.09	288.75	400.73	281.53	222.91
E	Exports	0.46	3	2	0	0	1	1
F	Availability for domestic consumption (D - E)	283.85	358.09	451.09	288.75	288.75	280.53	221.91
G	Estimates sugar consumption	245.61	260	263	75.8	53.7	77.7	55.8
H	Carry out stock (F - H)	38.24	98.09	188.09	212.95	235.05	202.83	166.11

Source: Agriwatch and ISMA

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

As per the Agriwatch estimate, India's sugar production is expected to rise to 355 LT in 2018/19 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 10-15% of more sugar in 2018-19 (01st October, 2018 -30th September, 2019)

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 125 LT of sugar in 2018-19 (01st October, 2017 -30th September, 2018); while Karnataka is expected to produce 40 to 45 LT of sugar during the same duration.

On the other hand, sugar domestic consumption is expected to rise to 263 lakh tonnes in 2018-19 (01st October, 2018 – 30th September, 2019).

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 rise from 200 LT in 2018-19.

International Market Highlights

Recent Updates

- Pakistan's sugar exports hit a new peak of 1.359 million tonnes fetching \$474m in July-May 2017-18 as compared to 302,268 tonnes earning \$158m in the same period last fiscal. The average per tonne price dropped to \$348 in 11 months of 2017-18 against \$524 per tonne average price earned in the same period last fiscal. Sugar exports were made to African countries, the Middle East, Nepal, Myanmar, etc.
- The share of cane allocated to sugar production in Brazil's Centre/South (CS) was only 36.47% in the first half of June, down from 49.37% a year ago, the latest Unica data showed.

- Brazilian sugar mills hedged 60.6% of the 2018/19 season's exportable sugar by the end of May, according to local consultancy Archer.
- Raw sugar futures in New York ended significantly higher during a session that was dominated by position adjustments ahead of the expiry of the nearby July contract on Friday.

Previous Updates

- Australian sugar production is forecast to increase by 2.8% to 4.830 million tonnes in 2018/19 from 4.700 mln a year ago, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) said in its quarterly update in June.
- Mexico's 2017/18 sugarcane crush is close to completion as another six mills concluded operations in the week to June 16, leaving just two out of 51 operational, official data showed.
- Rabobank has estimated the production of Indian sugar at 34 million tons whereas for Thailand at 15.7 million tons for the season 2017-18. Further in 2018-19 Rabobank is expecting Indian sugar production at 35.5 million tons and Thai sugar at 14.5 million tons. According to them in 2018-19 a surplus of another 5 million tons will be added on season's end stock of 10.5 million tons.

Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2950/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 3000 and Rs 2850 per quintal respectively.

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

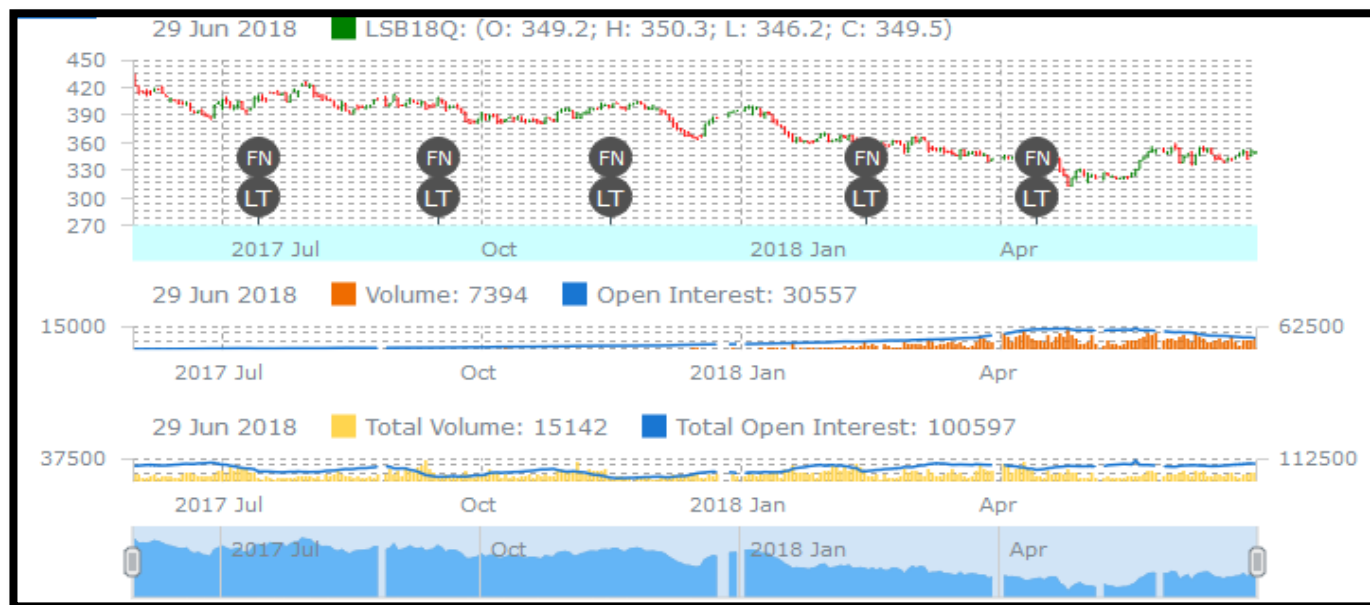


International Sugar Futures Price Projection

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

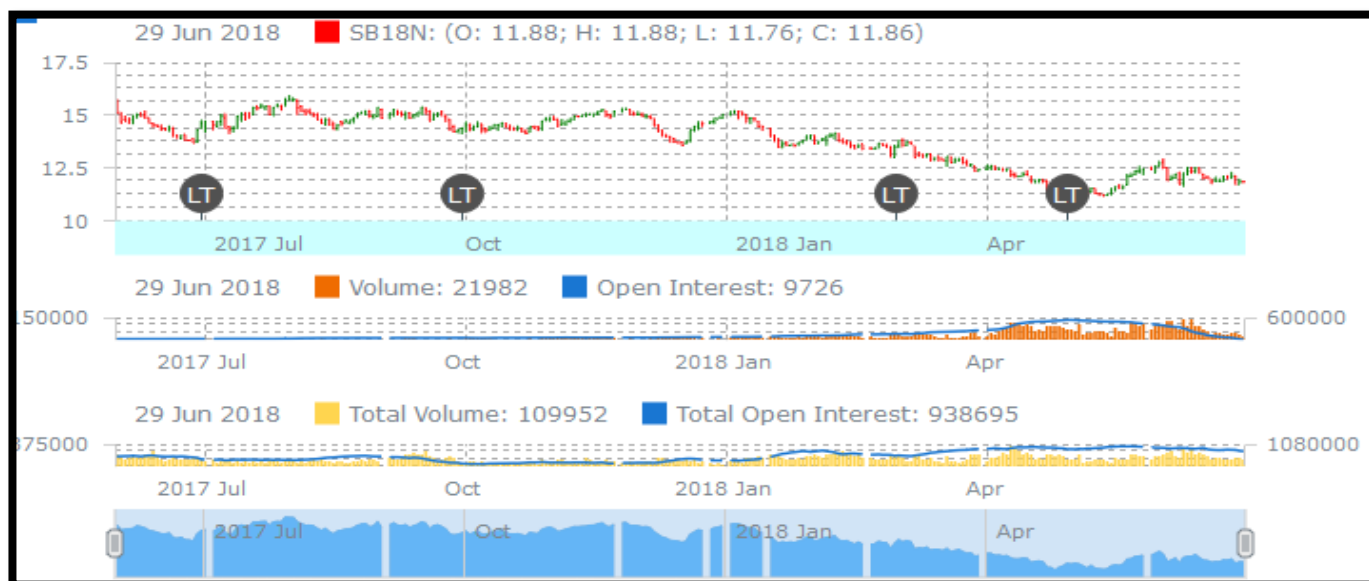


International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Aug'18	349.5	340-360

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

Technical Commentary:

- ICE raw sugar futures trend downward for the week.
- Last candlestick depicts bearish in the market. Strategy: sell at 12 targeting 14



International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Jul'18	11.86	11-14

Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			22nd to 28th June, 2018	15th to 21th June, 2018	
Delhi	Delhi	M-Grade	3213	3286	-73
	Delhi	S-Grade	3193	3266	-73
Uttar Pradesh	Khatauli	M-Grade	3271	3444	-173
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3167	3300	-133
	Dhampur	S-Grade Ex-Mill	3147	3280	-133
	Dhampur	L-Grade Ex-Mill	3217	3350	-133
Maharashtra	Mumbai	M-Grade	3345	3396	-51
	Mumbai	S-Grade	3088	3170	-82
	Nagpur	M-Grade	3042	3225	-183
	Nagpur	S-Grade	3025	3135	-110
	Kolhapur	M-Grade	2917	3100	-183
	Kolhapur	S-Grade	2900	3010	-110
Assam	Guhawati	S-Grade	3207	3319	-112
Meghalaya	Shillong	S-Grade	3220	3330	-110
Andhra Pradesh	Vijayawada	M-Grade	3660	3660	Unch

	Vijayawada	S-Grade	3600	3600	Unch
West Bengal	Kolkata	M-Grade	3358	3530	-172
Tamil Nadu	Chennai	S-Grade	3300	3416	-116
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			28-Jun-18	21-Jun-18	28-May-18	28-Jun-17
Delhi	Delhi	M-Grade	3200	3150	3000	3890
	Delhi	S-Grade	3180	3130	2980	3870
Uttar Pradesh	Khatauli	M-Grade	3300	3380	2950	3910
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3125	3300	2800	3750
	Dhampur	S-Grade Ex-Mill	3105	3280	2780	3730
	Dhampur	L-Grade Ex-Mill	3175	3350	2850	3800
Maharashtra	Mumbai	M-Grade	3370	3350	2980	3930
	Mumbai	S-Grade	3092	3116	2800	3830
	Nagpur	M-Grade	3075	3075	2875	3825
	Nagpur	S-Grade	3025	3025	2775	3775
	Kolhapur	M-Grade	2950	2950	2750	3700
	Kolhapur	S-Grade	2900	2900	2650	3650
Assam	Guhawati	S-Grade	3207	3207	2954	3969
Meghalaya	Shillong	S-Grade	3220	3220	2970	3970
Andhra Pradesh	Vijayawada	M-Grade	3660	3660	3140	4100
	Vijayawada	S-Grade	3600	3600	3080	4040
West Bengal	Kolkata	M-Grade	3350	3440	3130	4040
Tamil Nadu	Chennai	S-Grade	NA	3300	2950	3725
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)			22nd to 28th June,2018	15th to 21th June,2018	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	NA	2940	-
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	2687	2794	-107
	Muzaffarnagar	Laddoo (Fresh)	3270	3213	58
	Muzaffarnagar	Rascut (Fresh)	2592	2450	142
	Hapur	Chaurasa	2675	2600	75
	Hapur	Balti	2638	2600	38
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4300	4300	Unch
	Belgaum	Mudde (Average)	2940	2900	40
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3000	2960	40
	Gulbarga	Other (Average)	2922	2835	87
	Mahalingapura	Penti (Average)	2990	3040	-50
	Mandya	Achhu (Medium)	3317	3438	-121
	Mandya	Kurikatu (Medium)	3117	3150	-33
	Mandya	Other (Medium)	2975	3275	-300
	Mandya	Yellow (Medium)	3350	3367	-17
	Shimoga	Achhu (Average)	3830	3900	-70

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			28-Jun-18	21-Jun-18	28-May-18	28-Jun-17
Uttar Pradesh	Muzaffarnagar	ChakuSukha	NA	NA	2778	3425
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	2500	NA
	Muzaffarnagar	Khurpa	2700	NA	2500	3200
	Muzaffarnagar	Laddoo	3300	NA	2750	3450
	Muzaffarnagar	Rascut	2650	NA	2513	2950
	Hapur	Chaurasa	2750	2650	Closed	3250
	Hapur	Balti	NA	2650	Closed	NA
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4300	4300	4400	4750
	Belgaum	Mudde (Average)	2950	3000	3000	3500
	Belthangadi	Yellow (Average)	NA	NA	NA	NA

	Bijapur	Achhu	NA	3000	2800	3250
	Gulbarga	Other (Average)	NA	2875	2600	3540
	Mahalingapura	Penti (Average)	3004	3009	2771	3475
	Mandya	Achhu (Medium)	3250	3400	3400	3650
	Mandya	Kurikatu (Medium)	3100	3150	3250	3500
	Mandya	Other (Medium)	2900	3250	3300	3350
	Mandya	Yellow (Medium)	NA	3350	NA	3900
	Shimoga	Achhu (Average)	3750	3900	3700	4500

International Sugar Prices (Weekly)				
	Contract Month	27-Jun-18	20-Jun-18	Change
ICE Sugar #11 (US Cent/lb)	18-Jul	11.72	11.89	-0.17
	18-Oct	12.05	12.19	-0.14
	19-Mar	12.71	12.84	-0.13
LIFFE Sugar (US \$/MT)	18-Aug	342.40	342.10	0.30
	18-Oct	337.50	338.30	-0.80
	18-Dec	337.30	339.00	-1.70

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