

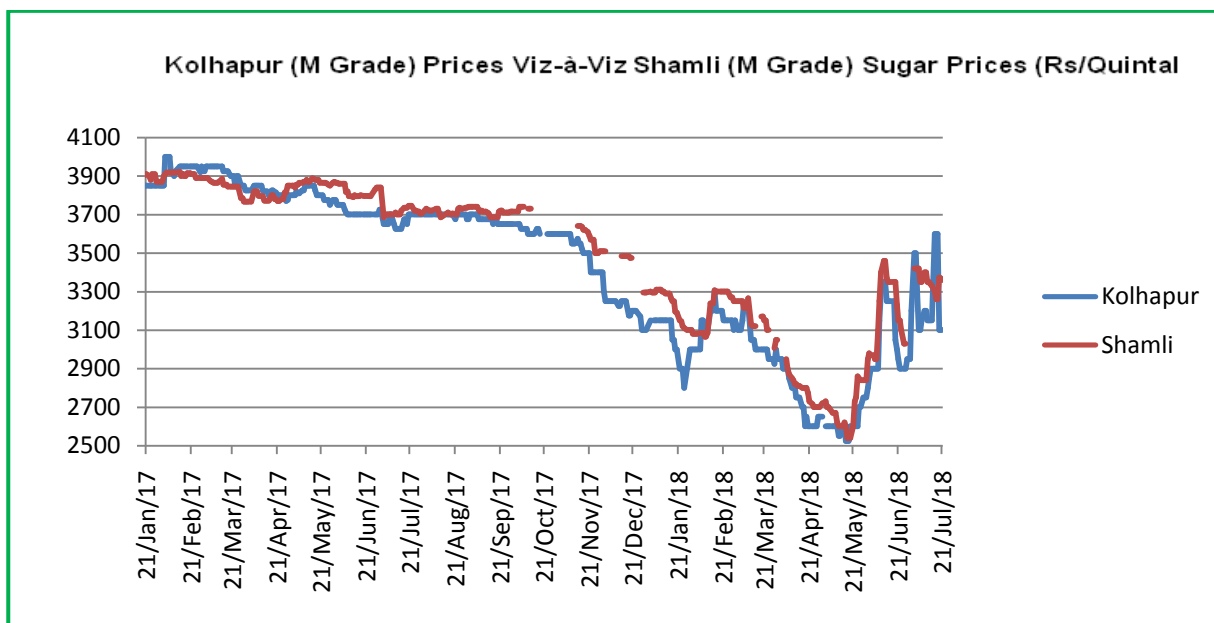
Sugar & Gur Weekly Research Report

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Domestic Sugar Market Summary

- The prices of M-30 grades of sugar have noticed weak across the country on during the week. Sellers notable offload there stock at higher prices.
- Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3350 per quintal last week gained INR 184 per quintal from the previous week; while spot sugar prices for the same grade in Shamli district is 3320 per quintal at the end of last week, declined 41 rupees per quintal against previous week's average prices



Price Outlook:

- Sugar prices at the wholesale markets noticed 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 3000–Rs 3400 per quintal for next week.

Fundamental summary:

Price Drivers	Impact
Government kept the quantity of sweetener sugar mills can sell in open market in July lower than normal monthly limits	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

- Last week, the Centre hiked the fair and remunerative price (FRP) of sugarcane to ₹275 per quintal for the 2018-19 marketing year starting October. It was ₹255/quintal last year, but cane farmers are still in low spirits.
- The numbers below explain how the changes in calculating FRP has taken the joy out of the move for farmers. When a mill crushes a tonne (1,000 kg) of cane, it recovers only 9-11 per cent of sugar. Last year, the FRP to be paid by the mills to farmers was linked to a recovery rate of 9.5 per cent. Every mill had to pay ₹255/ quintal (100 kg) for cane if it recovered 9.5 kg of sugar by crushing 1,000 kg of cane. With every 0.1 percentage point increase in recovery, FRP was higher by ₹2.68/ quintal. So, if the recovery rate was 10 per cent last year, the mills paid FRP of ₹268.4/quintal. Now, the ₹275/quintal announced for the 2018-19 season is, thus, an increase of only ₹6.5/quintal, or 2 per cent.
- Market prices of sugar have recovered sharply over the past two months, thanks to measures including the Centre's announcement of minimum support price (MSP) for sugar in June. In Maharashtra, prices were ruling at ₹26-27/kg in May; it is ₹31/kg now. This gives some breather for mills, but given the cost of production itself is around ₹35/kg of sugar, the current prices are still not remunerative for mills.
- Industry body ISMA has estimated production of 350 - 355 lakh tonnes of sugar in the season 2018-19. This is about 28 - 33 lakh tonnes higher than the current 2017-18 SS production of around 322.5 lakh tonnes. This is assuming normal rainfall, an ISMA release noted. Based on the satellite images procured in the latter part of June 2018, the total acreage under sugarcane in the country is estimated to be around 54.35 lakh hectares in 2018-19 SS, which is about 8 per cent higher than 2017-18 sugar season's cane area of around 50.42 lakh ha. It is also noted that area is almost similar to the area reported in 2013-14 and 2014-15 and slightly below 54 lac ha.
- Uttar Pradesh, the leading sugarcane producing State in the country, is estimated to have higher sugarcane area at 23.40 lakh hectares, as against 23.30 lakh ha. in 2017-18 SS. ISMA is expecting a better yield in 2018-19 SS due to further increase in area under the high yielding cane variety Co0238. That will increase the sugarcane production and availability for crushing by sugar mills. Thus, sugar production in U.P. in 2018-19 SS is estimated to increase and be around 130 - 135 lakh tonnes. The other major sugar producing State, viz. Maharashtra's cane area has gone up by about 25 per cent in 2018-19 SS, which is mainly due to timely and adequate rainfall from June to September 2017. As against the cane area of 9.15 lac ha. in 2017-18 SS, area is expected to increase to 11.42 lakh ha in 2018-19. Sugarcane area in Karnataka also increased in 2018-19 SS. Area under sugarcane in 2018-19 SS is expected to be about 5.02 lakh ha as against 4.15 lakh ha. in 2017-18 SS. Sugar production in 2018-19 SS is estimated to be around 44.80 lakh tonnes, as against 36.54 lakh tons expected to be produced in 2017-18 SS.

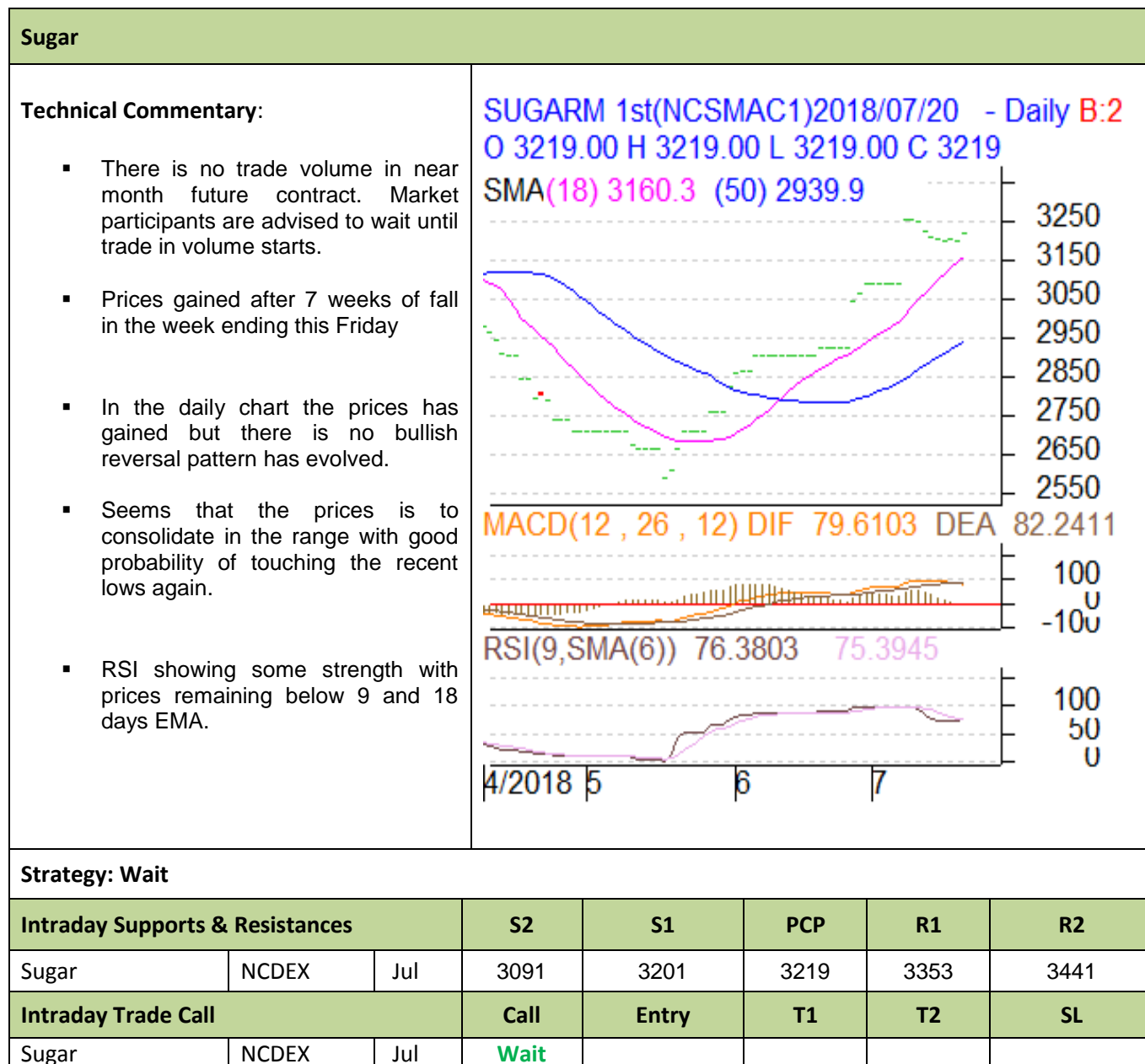
Previous Updates

- In India, Sugarcane has been sown in around 50.52 lakh hectares as of 13th July 2018 which is higher than 49.72 lakh hectare covered during corresponding period last year. In Uttar Pradesh, it has been sown in 23.05 lakh hectare which is higher than 22.56 lakh hectare covered during corresponding period last year, In Maharashtra it has been sown 9.49 lakh hectare which is higher than 9.37 lakh hectare covered during corresponding period last year and in Karnataka it has been sown 4.38 lakh hectare which is higher than 4.27 lakh hectare covered during corresponding period last year. Area of 2018-19 is about to increase 5-10% compared to previous year because of supportive weather and availability sufficient water in growing regions.
- The government plans to recommend an 8 per cent increase in the fair and remunerative price (FRP) of sugarcane over the previous year, which the industry fears will make their operations unviable. If FRP is raised to Rs 275/quintal for the 2018-19 season beginning October, mills may find it difficult to pay farmers their dues.
- A ministerial panel on last week mooted GST reduction on ethanol from 18 per cent to 12 per cent but did not favour imposing cess on sugar as arrears to cane farmers are already declining. The Group of Ministers, headed by Assam Finance Minister Himanta Biswa Sarma, will also wait for Attorney General's opinion before taking a view on whether cess can be levied at all under the current Goods and Services Tax (GST) regime, according to officials.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3350 3275 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3700 and Rs 3400per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



Domestic Sugar Market Technical Analysis (Future Market)
Commodity: Sugar
Exchange: NCDEX
Contract: Sugar 1 M Cont


* 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

- Raw sugar futures in New York ended with further losses as the benchmark October contract dropped another 11 points to settle at 10.97¢/lb, just above the lower end of the day's 10.93-11.11¢ range.
- Sugar production in Brazil's Centre/South in the current 2018/19 crush is projected to fall to 28 million tonnes, from a previous estimate of 31 mln, local consultancy Safras & Mercado said.
- UNICA, the Brazilian sugarcane industry association, has reported production units in the country's south-central region produced 2.35 billion liters (620.8 million gallons) of ethanol during the second half of June, up 30.44 percent when compared to the same period of last year.

- Mills in the region processed 45.31 million tons of sugarcane during the second half of June, down from 47.71 million tons during the same period of last year. Only 37.67 percent of that volume went to sugar production, down from 50.52 percent last year. The remaining sugarcane was used to produce ethanol.

Previous Updates

- Philippine raw-sugar production as of June 17 declined by 15.3 percent to 2.064 million metric tons, from 2.437 MMT recorded in the same period last year, according to preliminary data from the Sugar Regulatory Administration (SRA).
- The European Commission has cut its forecast for sugar production in the bloc in 2018/19 to 20.1 mln tonnes from a previous projection of 20.4 mln, according to its quarterly short-term agricultural outlook report.
- Russia's first sugar beet test for the 2018/19 crop, showed an average root weight of only 81 grams, below last year's 92g and sharply below the five-year average of 119.2g, Russian Sugar Producers Union (Soyuzrossakhar) data show.
- Brazil exported only 1.946 million tonnes of sugar, raw value, in June 2018, down from 2.120 mln a month earlier and significantly below 3.128 mln in the same month last year, Trade Ministry data showed.

Gur Market Scenario

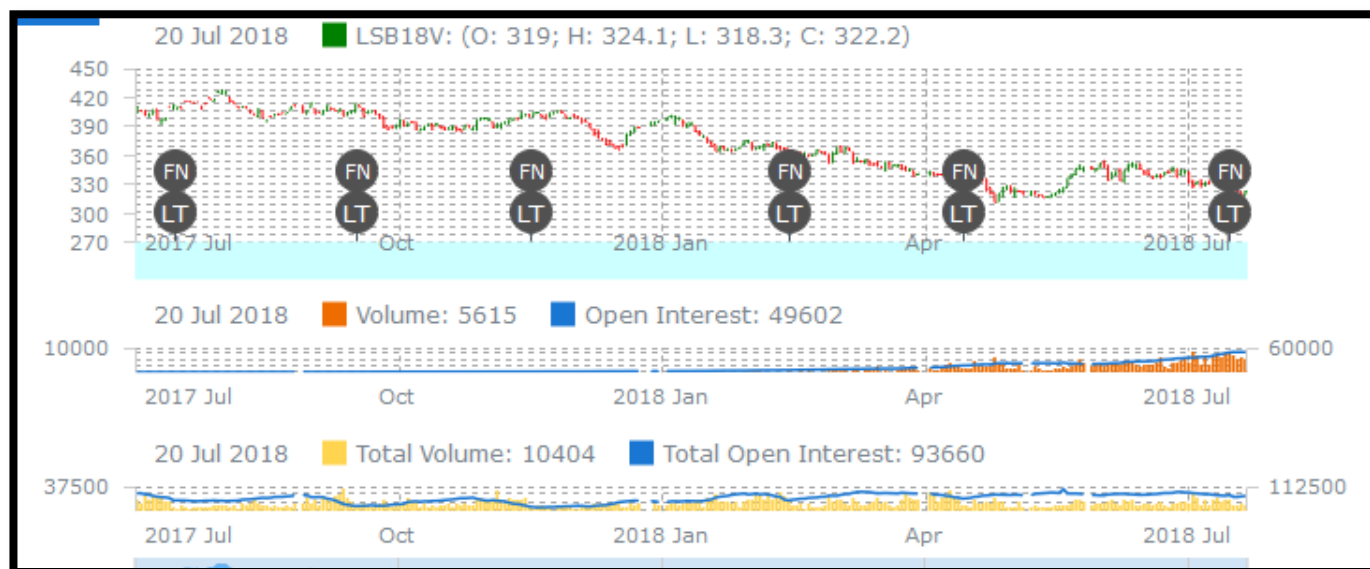
- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2850/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 3000 and Rs 2750 per quintal respectively.

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

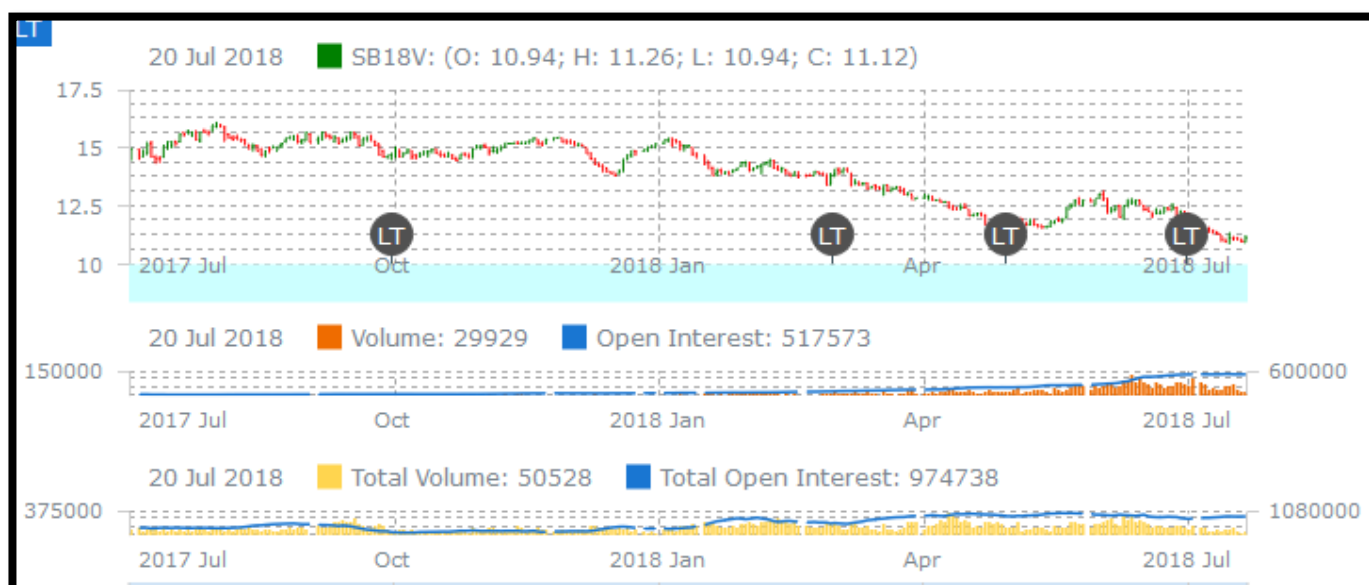
- LIFFE future market trends weak for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 325,T1 340



International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Aug'18	322	300-340

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

- ICE raw sugar futures trend downward for the week.
- Last candlestick depicts bullish in the market. Strategy: sell at 11.15 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	11.12	11-13

Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			13th to 19th July, 2018	05th to 12th July, 2018	
Delhi	Delhi	M-Grade	3320	3350	-30
	Delhi	S-Grade	3300	3330	-30
Uttar Pradesh	Khatauli	M-Grade	3400	3418	-18
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3303	3342	-38
	Dhampur	S-Grade Ex-Mill	3283	3322	-38
	Dhampur	L-Grade Ex-Mill	3353	3392	-38
Maharashtra	Mumbai	M-Grade	3525	3540	-16
	Mumbai	S-Grade	3271	3288	-17
	Nagpur	M-Grade	3250	3283	-33
	Nagpur	S-Grade	3175	3183	-8
	Kolhapur	M-Grade	3125	3158	-33
	Kolhapur	S-Grade	3050	3058	-8
Assam	Guhawati	S-Grade	3360	3368	-8
Meghalaya	Shillong	S-Grade	3370	3378	-8
Andhra Pradesh	Vijayawada	M-Grade	3730	3730	Unch
	Vijayawada	S-Grade	3670	3670	Unch

West Bengal	Kolkata	M-Grade	3600	3707	-107
Tamil Nadu	Chennai	S-Grade	3500	3500	Unch
	Dindigul	M-Grade	3680	3697	-17
	Coimbatore	M-Grade	3700	3700	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3450	3450	Unch

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			19-Jul-18	12-Jul-18	19-Jun-18	19-Jul-17
Delhi	Delhi	M-Grade	3300	3400	3330	3819
	Delhi	S-Grade	3280	3380	3310	3799
Uttar Pradesh	Khatauli	M-Grade	3390	3425	3560	3855
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3300	3325	3300	3700
	Dhampur	S-Grade Ex-Mill	3280	3305	3280	3680
	Dhampur	L-Grade Ex-Mill	3350	3375	3350	3750
Maharashtra	Mumbai	M-Grade	3530	3500	3400	3932
	Mumbai	S-Grade	3286	3282	3170	3792
	Nagpur	M-Grade	3225	3275	3175	3775
	Nagpur	S-Grade	3175	3175	3075	3725
	Kolhapur	M-Grade	3100	3150	3050	3650
	Kolhapur	S-Grade	3050	3050	2950	3600
Assam	Guhawati	S-Grade	3360	3360	3258	3918
Meghalaya	Shillong	S-Grade	3370	3370	3270	3920
Andhra Pradesh	Vijayawada	M-Grade	3680	3740	3660	3933
	Vijayawada	S-Grade	3620	3680	3600	3876
West Bengal	Kolkata	M-Grade	3600	3740	3550	4140
Tamil Nadu	Chennai	S-Grade	3500	3500	3440	3825
	Dindigul	M-Grade	3680	3680	NA	NA
	Coimbatore	M-Grade	3700	3700	NA	NA
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3450	3450	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)			13th to 19th July,2018	05th to 12th July,2018	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2879	2863	17
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-
	Muzaffarnagar	Rascut (Fresh)	2650	2623	27
	Hapur	Chaurasa	2800	2780	20
	Hapur	Balti	NA	NA	-
Maharashtra	Latur	Lal Variety	NA	NA	-
Karnataka	Bangalore	Mudde (Average)	4300	4300	Unch
	Belgaum	Mudde (Average)	3000	3000	Unch
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3040	3017	23
	Gulbarga	Other (Average)	2796	2871	-75
	Mahalingapura	Penti (Average)	3352	3202	150
	Mandya	Achhu (Medium)	3070	3050	20
	Mandya	Kurikatu (Medium)	2900	2900	Unch
	Mandya	Other (Medium)	2950	2925	25
	Mandya	Yellow (Medium)	3170	3133	37
	Shimoga	Achhu (Average)	3830	3833	-3

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			19-Jul-18	12-Jul-18	19-Jun-18	19-Jul-17
Uttar Pradesh	Muzaffarnagar	ChakuSukha	2900	2865	NA	3425
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	NA	NA
	Muzaffarnagar	Khurpa	NA	NA	NA	NA
	Muzaffarnagar	Laddoo	NA	NA	NA	NA
	Muzaffarnagar	Rascut	2650	2650	NA	2825
	Hapur	Chaurasa	2800	2800	2625	NA
	Hapur	Balti	NA	NA	2625	NA
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4300	4300	4300	4900
	Belgaum	Mudde (Average)	NA	3000	NA	3800
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	3000	3000	NA

	Gulbarga	Other (Average)	NA	2880	2820	3720
	Mahalingapura	Penti (Average)	3452	3254	3033	3722
	Mandya	Achhu (Medium)	NA	3100	3450	3700
	Mandya	Kurikatu (Medium)	NA	2900	3150	3550
	Mandya	Other (Medium)	NA	2950	3300	3450
	Mandya	Yellow (Medium)	NA	3150	3400	3750
	Shimoga	Achhu (Average)	NA	3850	NA	4500

International Sugar Prices (Weekly)				
	Contract Month	18-Jul-18	11-Jul-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	11.08	11.29	-0.21
	19-Mar	11.77	12.03	-0.26
	19-May	11.91	12.14	-0.23
LIFFE Sugar (US \$/MT)	18-Oct	322.10	340.20	-18.10
	18-Dec	320.30	331.30	-11.00
	19-Mar	324.60	328.90	-4.30

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