

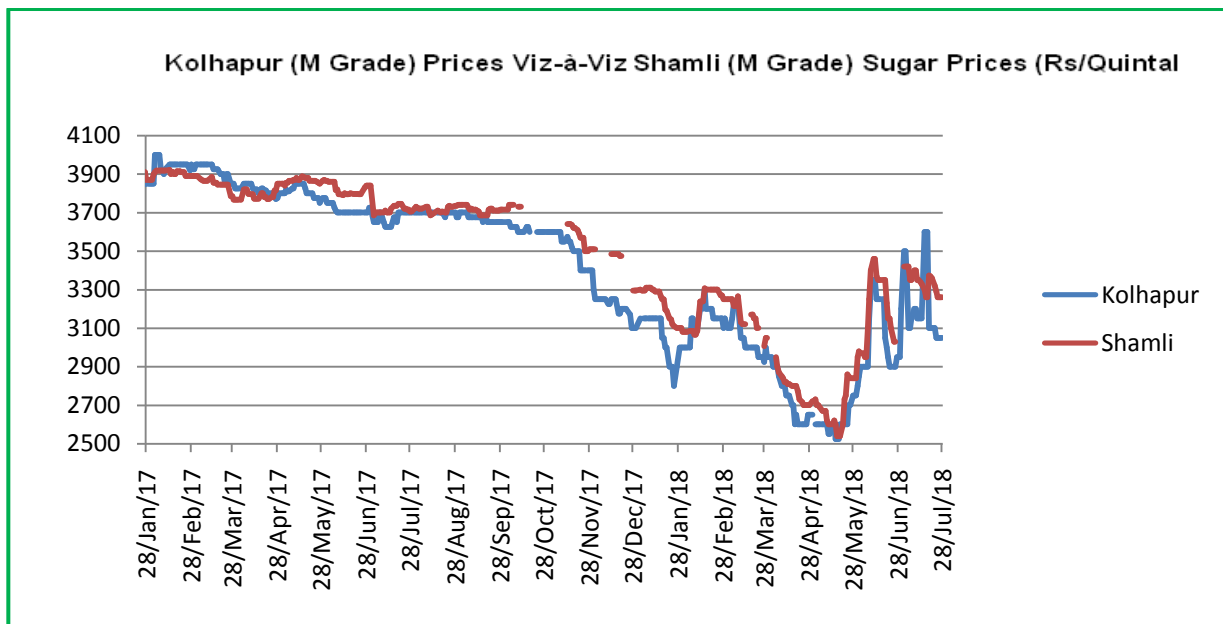
Sugar & Gur Weekly Research Report

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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 3058 per quintal last week declined INR 292 per quintal from the previous week; while spot sugar prices for the same grade in Shamli district is 3275 per quintal at the end of last week, declined 40 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

- Surplus production of sugar during the current sugar season had resulted in depressed sugar prices which is adversely affecting the realization by the sugar mills from sale of sugar in the open market. Low realization from sale of sugar in the country during 2017-18 sugar season resulted in accumulation of cane price arrears. The arrears to farmers remain at Rs 17,825 crore, according to an 18 July ISMA release.
- Nearly 4,00,000 tonnes of sugar is in the process of being exported from India to countries in the Middle East as also Sri Lanka. Mills are required to export 20 lakh tonnes of sugar in the current 2017-18 marketing year (October-September) to avail of a subsidy of Rs 55 per tonne offered by the government.
- ISMA made a presentation to CACP on 24th July 2018, regarding the pricing policy on sugarcane for 2019-20 SS. In the presentation, ISMA strongly recommends that if Indian sugar has to be competitive globally, then cane prices need rationalization and policy be made at par with world practice. Rangarajan Committee report on cane price fixation should be implemented at the earliest, and mills should be allowed to pay 75% of revenue realized from sugar as cane price. ISMA also requested CACP should either prescribe Minimum Selling Price of Sugar, which would support the FRP the Government is fixing or vice versa.
- 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.

Previous Updates

- 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.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3058 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3400 and Rs 3000 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.

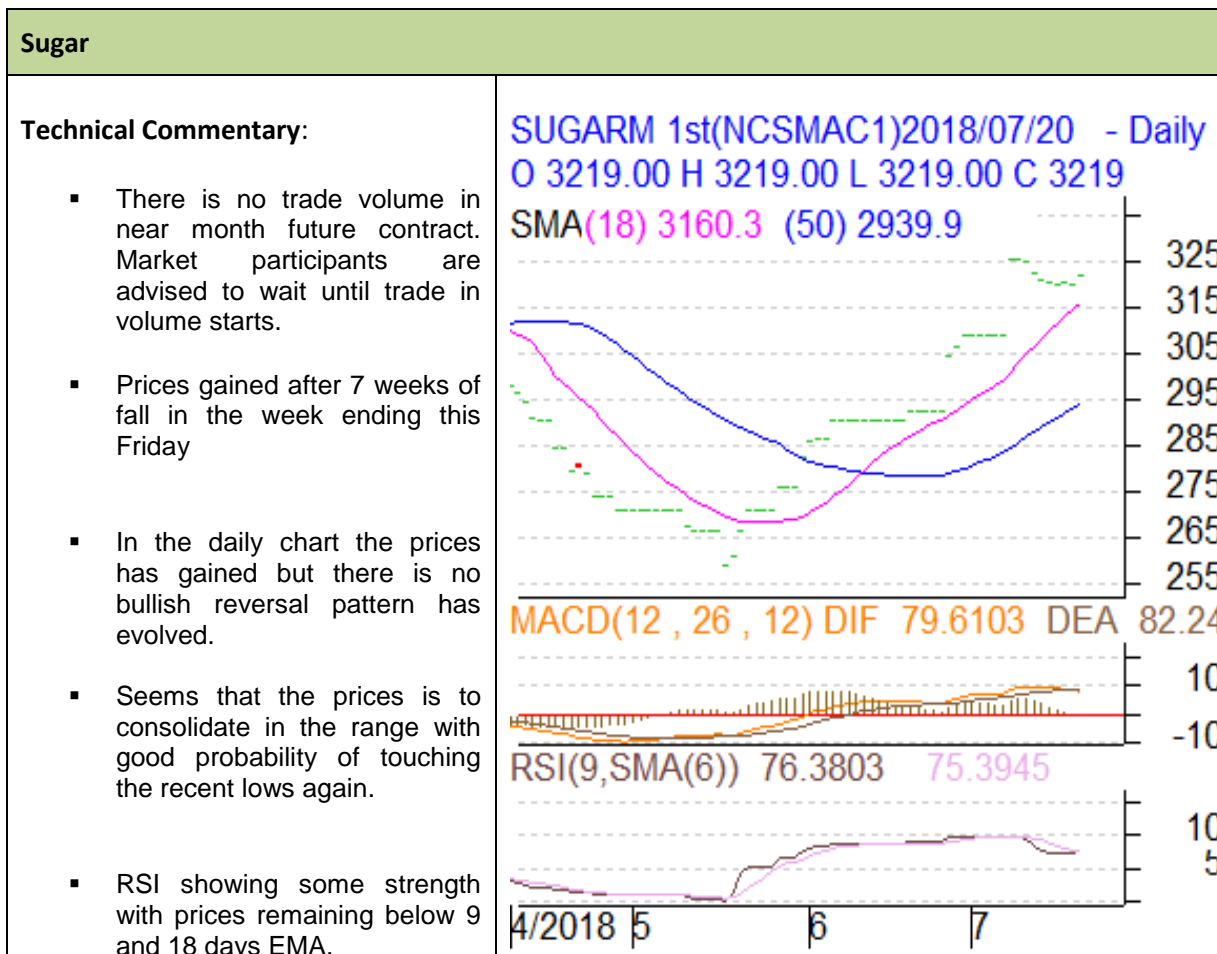


Domestic Sugar Market Technical Analysis (Future Market)

Commodity: Sugar

Exchange: NCDEX

Contract: Sugar 1 M Cont



Strategy: Wait							
Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Jul	3091	3201	3219	3353	3441
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Jul	Wait				

* 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

- Currently, global sugar prices are hovering around 10.58 cents/lb. Global Trade experts expects world sugar price to remain below 13 cents/ lb till March'19.
- Sugar mills in the Centre/South processed only 44.879 mln tonnes of cane in the first half of July, down from 45.566 mln in the second half of last month.
- Australian Sugar mills crushed 1,574,149 tonnes of cane in the week to July 15, up from 1,423,846 in the same week in 2017, Australian Sugar Milling Council (ASMC) data showed.
- The final price for sugar is in and the estimated value for the 2017-2018 crop is not sweet news for farmers who will be paid an estimated 45 dollars and 47 cents per ton. That's the figure released today by American Sugar Refinery/Belize Sugar Industry to the three cane farmers' associations in the north. For the previous crop, farmers received approximately 53 dollars per ton of sugar cane taken to the mills. The new estimated price will now see farmers get a second payment of between three dollars and ninety cents and six dollars and thirty-four cents per ton when compared to last year when they received over eleven dollars.

Previous Updates

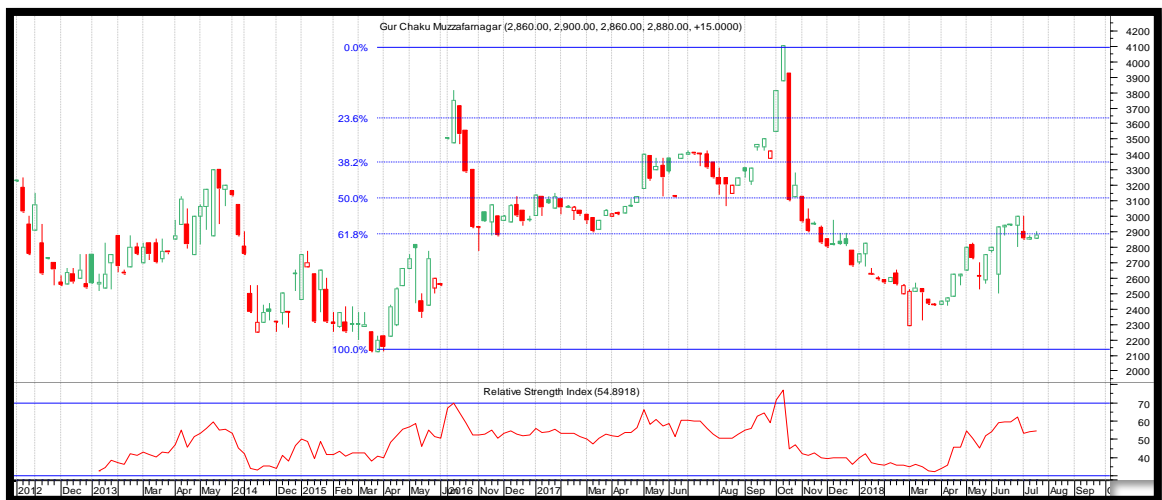
- Raw sugar futures in New York ended with further losses as the benchmark October contract dropped another 11 points to settle at 10.97¢/lb, just above the lower end of the day's 10.93-11.11¢ range.
- Sugar production in Brazil's Centre/South in the current 2018/19 crush is projected to fall to 28 million 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.

- 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.

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

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.
- There are no arrivals at market.



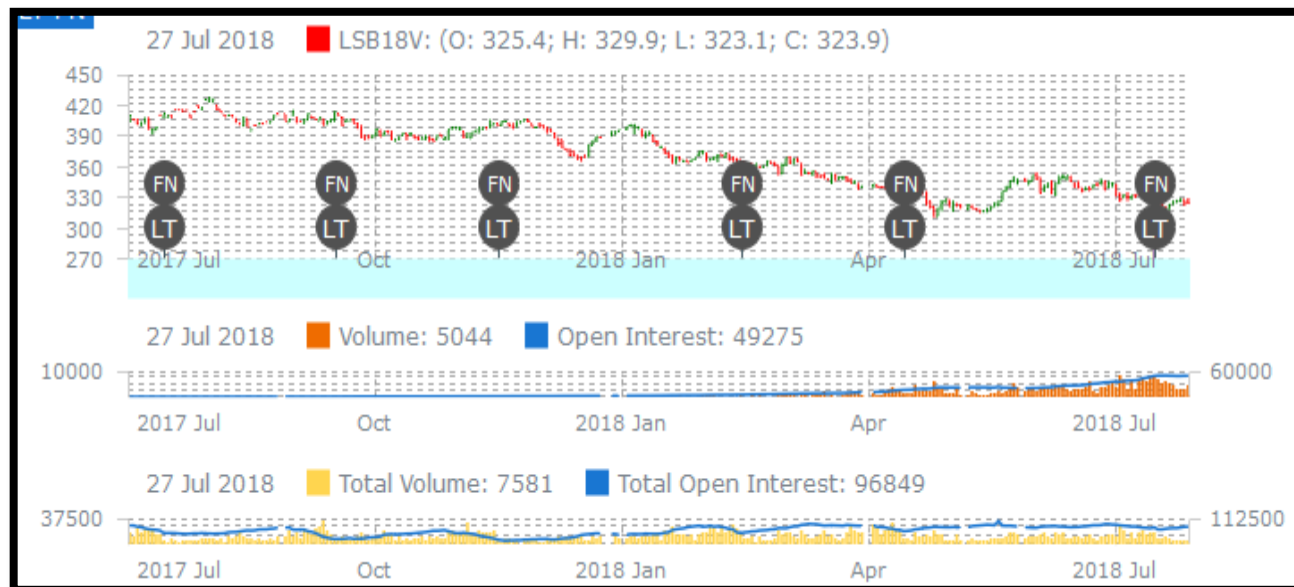
International Sugar Futures Price Projection

LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Oct'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)	Oct'18	323	300-340

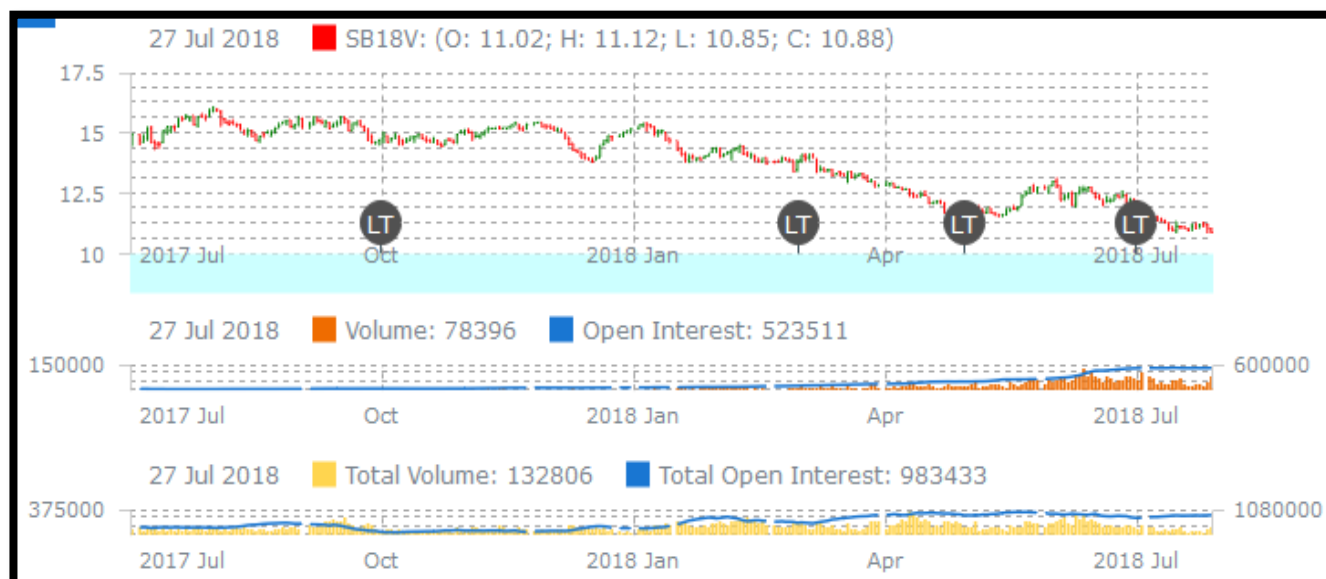


ICE (Raw Sugar Exchange) Future Market Scenario (Oct'18 Contract)

Technical Commentary:

- ICE raw sugar futures trend downward for the week.
- Last candlestick depicts bearish in the market. Strategy: sell at 11.00 targeting 13

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Oct'18	10.88	10-13



Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			20th to 26th July, 2018	13th to 19th July, 2018	
Delhi	Delhi	M-Grade	3265	3320	-55
	Delhi	S-Grade	3245	3300	-55
Uttar Pradesh	Khatauli	M-Grade	3369	3400	-31
	Ramala	M-Grade	NA	NA	-
	Dhampur	M-Grade Ex-Mill	3287	3303	-17
	Dhampur	S-Grade Ex-Mill	3267	3283	-17
	Dhampur	L-Grade Ex-Mill	3337	3353	-17
Maharashtra	Mumbai	M-Grade	3558	3525	34
	Mumbai	S-Grade	3308	3271	37
	Nagpur	M-Grade	3200	3250	-50
	Nagpur	S-Grade	3150	3175	-25
	Kolhapur	M-Grade	3075	3125	-50
	Kolhapur	S-Grade	3025	3050	-25
Assam	Guhawati	S-Grade	3334	3360	-25
Meghalaya	Shillong	S-Grade	3345	3370	-25
Andhra Pradesh	Vijayawada	M-Grade	3680	3730	-50
	Vijayawada	S-Grade	3620	3670	-50
West Bengal	Kolkata	M-Grade	3600	3600	Unch
Tamil Nadu	Chennai	S-Grade	3500	3500	Unch

	Dindigul	M-Grade	3680	3680	Unch
	Coimbatore	M-Grade	3575	3700	-125
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			26-Jul-18	20-Jul-18	26-Jun-18	26-Jul-17
Delhi	Delhi	M-Grade	3250	3290	3300	3800
	Delhi	S-Grade	3230	3270	3280	3780
Uttar Pradesh	Khatauli	M-Grade	3350	3390	3200	3805
	Ramala	M-Grade	NA	NA	NA	NA
	Dhampur	M-Grade Ex-Mill	3280	3300	3100	3750
	Dhampur	S-Grade Ex-Mill	3260	3280	3080	3730
	Dhampur	L-Grade Ex-Mill	3330	3350	3150	3800
Maharashtra	Mumbai	M-Grade	3576	3540	3330	4000
	Mumbai	S-Grade	3316	3300	3060	3800
	Nagpur	M-Grade	3175	3225	3025	3825
	Nagpur	S-Grade	3125	3175	3025	3775
	Kolhapur	M-Grade	3050	3100	2900	3700
	Kolhapur	S-Grade	3000	3050	2900	3650
Assam	Guhawati	S-Grade	3309	3360	3207	3969
Meghalaya	Shillong	S-Grade	3320	3370	3220	3970
Andhra Pradesh	Vijayawada	M-Grade	3680	3680	3660	3933
	Vijayawada	S-Grade	3620	3620	3600	3876
West Bengal	Kolkata	M-Grade	3620	3590	3350	4050
Tamil Nadu	Chennai	S-Grade	3500	3500	3300	3850
	Dindigul	M-Grade	3680	3680	NR	NR
	Coimbatore	M-Grade	3550	3700	NR	NR
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)			20th to 26th July,2018	13th to 19th July,2018	
Uttar Pradesh	Muzaffarnagar	ChakuSukha(Cold)	2881	2879	2
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	-
	Muzaffarnagar	Khurpa (Fresh)	NA	NA	-
	Muzaffarnagar	Laddoo (Fresh)	NA	NA	-

	Muzaffarnagar	Rascut (Fresh)	2650	2650	Unch
	Hapur	Chaurasa	2770	2800	-30
	Hapur	Balti	NA	NA	-
Andhra Pradesh	Chittur	Gold	3567	NR	-
		White	3130	NR	-
		Black	2480	NR	-
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	3000	3040	-40
	Gulbarga	Other (Average)	2859	2796	63
	Mahalingapura	Penti (Average)	3352	3352	-1
	Mandya	Achhu (Medium)	3250	3070	180
	Mandya	Kurikatu (Medium)	3000	2900	100
	Mandya	Other (Medium)	3025	2950	75
	Mandya	Yellow (Medium)	3217	3170	47
	Shimoga	Achhu (Average)	3850	3830	20

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			26-Jul-18	20-Jul-18	26-Jun-18	26-Jul-17
Uttar Pradesh	Muzaffarnagar	ChakuSukha	2880	2885	NA	3313
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	NA	NA
	Muzaffarnagar	Khurpa	NA	NA	2690	NA
	Muzaffarnagar	Laddoo	NA	NA	3250	NA
	Muzaffarnagar	Rascut	2650	2650	2500	2813
	Hapur	Chaurasa	2750	2800	2675	NA
	Hapur	Balti	NA	NA	NA	NA
Andhra Pradesh	Chittur	Gold	4300	NA	NA	NA
		White	4000	NA	NA	NA
		Black	2800	NA	NA	NA
Maharashtra	Latur	Lal Variety	NR	NR	NR	NR
Karnataka	Bangalore	Mudde (Average)	4300	4300	4300	4900
	Belgaum	Mudde (Average)	NA	3000	NA	3500
	Belthangadi	Yellow (Average)	NA	NA	NA	NA
	Bijapur	Achhu	NA	3000	3000	NA
	Gulbarga	Other (Average)	2850	2825	2860	3680
	Mahalingapura	Penti (Average)	3323	3450	2957	3721
	Mandya	Achhu (Medium)	3300	3200	3300	3650
	Mandya	Kurikatu (Medium)	3000	3000	3100	3550

	Mandya	Other (Medium)	3000	3050	2900	3450
	Mandya	Yellow (Medium)	3200	3100	3400	3650
	Shimoga	Achhu (Average)	NA	3850	3800	4400

International Sugar Prices (Weekly)				
	Contract Month	25-Jul-18	18-Jul-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	11.19	11.08	0.11
	19-Mar	11.99	11.77	0.22
	19-May	12.16	11.91	0.25
LIFFE Sugar (US \$/MT)	18-Oct	327.40	322.10	5.30
	18-Dec	325.70	320.30	5.40
	19-Mar	330.60	324.60	6.00

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