

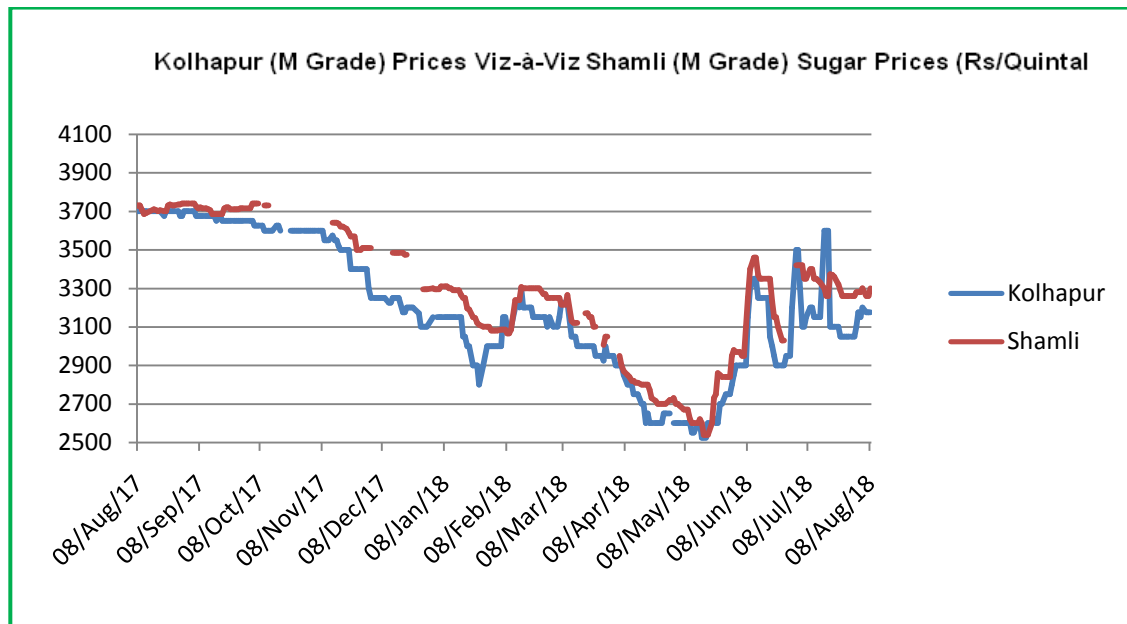
Sugar & Gur Weekly Research Report

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Domestic Sugar Market Summary

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3200 per quintal last week gaining INR 117 per quintal from the previous week; while spot sugar prices for the same grade in Shamli district is 3280 per quintal at the end of last week, gaining 17 rupees per quintal against previous week's average price



Price Outlook:

- Most of the sugar prices were noticed firm tone during the week, A tight monthly sales quota and festive demand keeping sugar prices supportive. For August, the government on 04 Aug allowed mills to sell 1.7 million tonnes of sugar in Aug.

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 Aug 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:

- **India is finding it difficult to export the surplus sugar due to lower returns and global glut.** Sugar exports under the MEIS (Merchandise Export from India Scheme) till July end were less than 20 per cent and it is quite unlikely that sugar mills will be able to meet the target of 20 lakh tonnes by September 30. What has been moved out of mills till the end of July is about 3.5 lakh tonnes of sugar. Some consignments are on their way to ports and some are at ports already. We are completely off the target.
- **Domestic prices are artificially up as the government has put a cap on quantity of sugar sold in the market.** While the demand for sugar ahead of the festival season is estimated to be around 21.5-22 lakh tonnes (lt), the quota fixed by the government for August is about 17.5 lakh tonnes. This was 16.5 lt in June.
- **The Indian Sugar Industry urged the union government to raise the minimum sale price of sugar to Rs36/ kg from Rs 29.** If the floor price of the sweetener for sale by mills fixed at Rs 36, sugar factories will be able to take a loss on the exports without need of financial assistance. The loss on sugar exports currently is around 11-12 Rs a kg over domestic ex- mill prices.
- **Sugar mills in Maharashtra, which has seen a glut in production, owe Rs 593 crore to farmers.** The state government is making efforts to persuade the sugar mills to clear the dues of farmers, the mills paid around Rs 20,682 crore as sugarcane purchase price to farmers till July this year, but there are still arrears worth Rs 593 crore, the official in the state sugar commissioner's office said. Last year, there were arrears of only Rs two crore, he noted.
- **Sugar exports under the MEIS (Merchandise Export from India Scheme) till July end were less than 20 per cent** and it is quite unlikely that sugar mills will be able to meet the target of 20 lakh tonnes by September 30. What has been moved out of mills till the end of July is about 3.5 lakh tonnes of sugar. Some consignments are on their way to ports and some are at ports already. We are completely off the target.
- **The FAO Sugar Price Index fell six per cent to a nearly three-year low,** largely driven by improved production prospects in India and Thailand, both important sugar-producing countries. Expectations of lower output in Brazil, the world's largest producer and exporter, limited the fall in international sugar prices.

Previous Updates

- **Sugarcane arrears to farmers have come down to Rs 16,600 crore** from the peak of Rs 23,232 crore in May-end due to various measures taken by the government to help the sugar industry.
- **India's move to find new markets for its sugar ahead of the 2018-19 crushing season has met with partial success so far, with Bangladesh and Malaysia** showing interest in importing raws from the country while Indonesia wants India to lower the import duties on palm oil before it allows import of

sugar. Bangladesh, Indonesia, Malaysia, and China are the four countries that India has targeted in the first phase to export surplus raw sugar either through government-to-government deals or even otherwise. Negotiations are still on with China, and while India can potentially export 1.5-2.0 million tonnes of raw sugar to China, Beijing recently imposed a huge tariff on sugar imports, hurting any possibility of India making headway.

- **The Haryana government has released an amount of Rs200 crore to sugar mills** to clear the pending payment of sugarcane farmers for the year 2017-18. This was disclosed by Minister of state cooperation Mr. Manish Kumar .
- **Sugar production during 2018-19 is likely to rise 10% year-on-year to more than 35 million tonnes.** Domestic consumption of sugar in India is estimated to be around of 25 million tonnes. The USDA Foreign Agricultural Service, In its own estimates, said India is likely to consume a total of 26.5 million tonnes of sugar every year. That makes us the highest sugar consuming country in the world. But india is already the second-largest producer of sugar, so our supply is doing just fine.

Monsoon Update:

- The India Meteorological Department (IMD)'s weather models hinted at weak monsoon rain over the central India and the country in general from August 10 to 16. But the models of the National Centre for Medium Range Weather Forecasting (NCMRWF), under the ministry of earth sciences, are showing active monsoon conditions from August 13. IMD weather models are indicating that most of the central India, including Maharashtra, will see an increase in rainfall activity after August 17. But northeast India, extreme north and south peninsula regions are expected to get below- normal rainfall. These models are showing weak monsoon circulation patterns during the ongoing week (August 10-16) with the trough to the north of the normal position. When the trough is in this position, it leads to below-normal rainfall over the central parts of the country in general.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3200 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3400 and Rs 3000per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



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

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 3060/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.

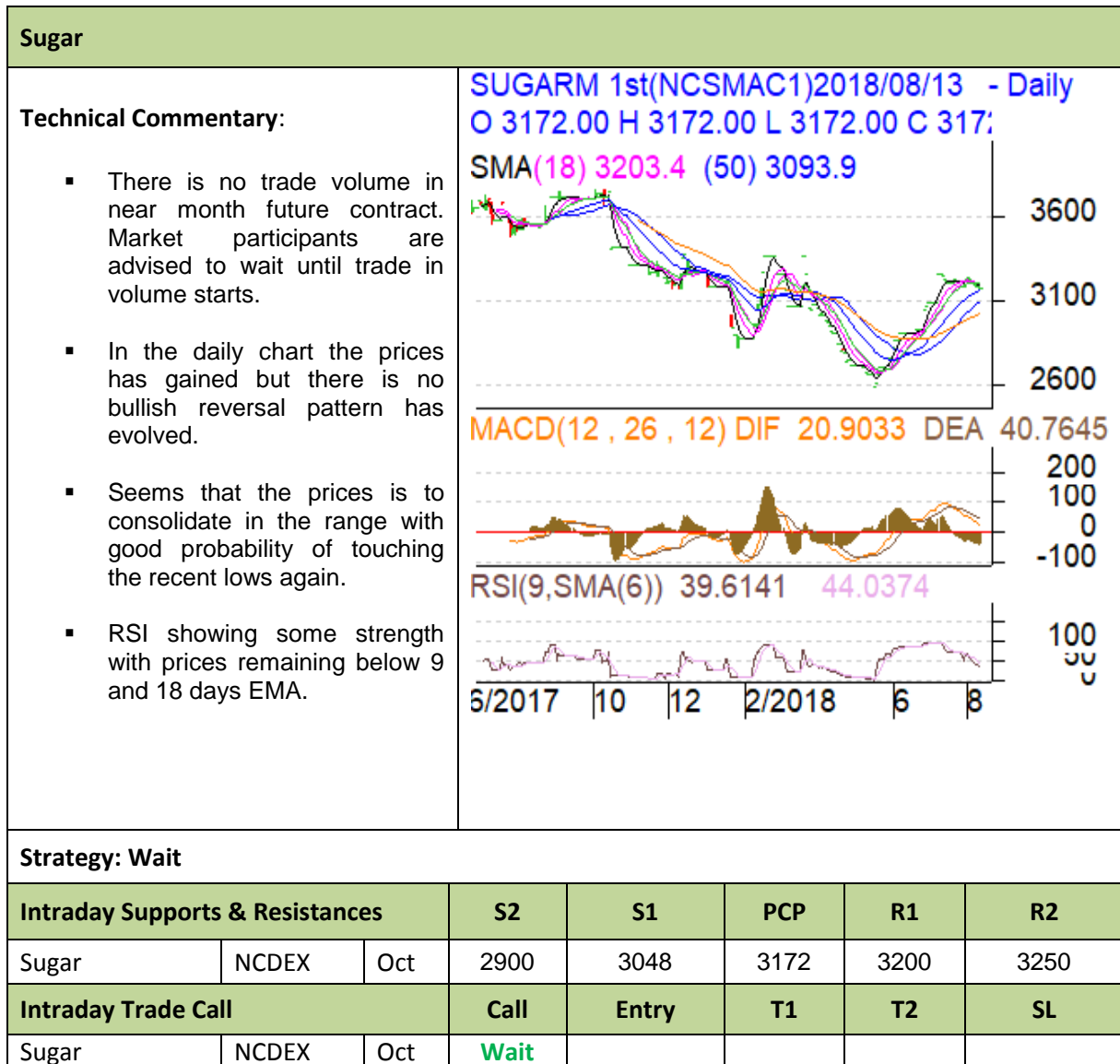


Domestic Sugar Market Technical Analysis (Future Market)

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

- **Currently the global sugar prices were trading at 10.54 cents/lb.** Expects world sugar price to remain below 13 cents/lb till September.
- **Raw sugar futures in New York ended with slight gains as the market was supported by the latest Brazilian crushing update** which showed an ongoing strong preference of millers for ethanol against sugar. Sugar mills in Brazil's Centre/South crushed 47.347 mln tonnes of cane in the second half of July, up from 44.879 mln in the first half of the month but down 7.0% from the 50.907 mln in the same period a year ago, Unica data showed.

Previous Updates

- **Brazil exported only 1.885 mln tonnes of sugar, raw value, in July 2018, down from 1.946 mln** a month earlier and significantly below 2.703 mln in the same month last year.
- **According to Australian Sugar Milling Council, Australian Sugar mills crushed 1.608 million tonnes of cane** in the week to July 29, up from 1.548 mln last week and also above the 1.526 mln in the same week in 2017.
- **Australia's federal government has decided to invest A\$2.2 million (\$1.6 million)** in a blockchain initiative as a way to make its key sugar production more competitive, local media reported on Tuesday. Prime Minister Malcolm Turnbull's coalition backed Sustainable Sugar Project, which targets Queensland, the major sugar export region of Australia. The initiative will use blockchain capabilities to improve productivity, profitability, and sustainability in the sugarcane farms.
- **The Thai Sugar Mills Association expects that the country will produce about 13 mln tonnes of sugar** in the 2018/19 (Nov/Oct) campaign, only slightly below the all-time high of 14 mln seen this season.
- **Sugar production during 2018-19 is likely to rise 10% year-on-year to more than 35 million tonnes.** Domestic consumption of sugar in India is estimated to be around of 25 million tonnes. The USDA Foreign Agricultural Service, In its own estimates, said India is likely to consume a total of 26.5 million tonnes of sugar every year. That makes us the highest sugar consuming country in the world. But india is already the second-largest producer of sugar, so our supply is doing just fine.

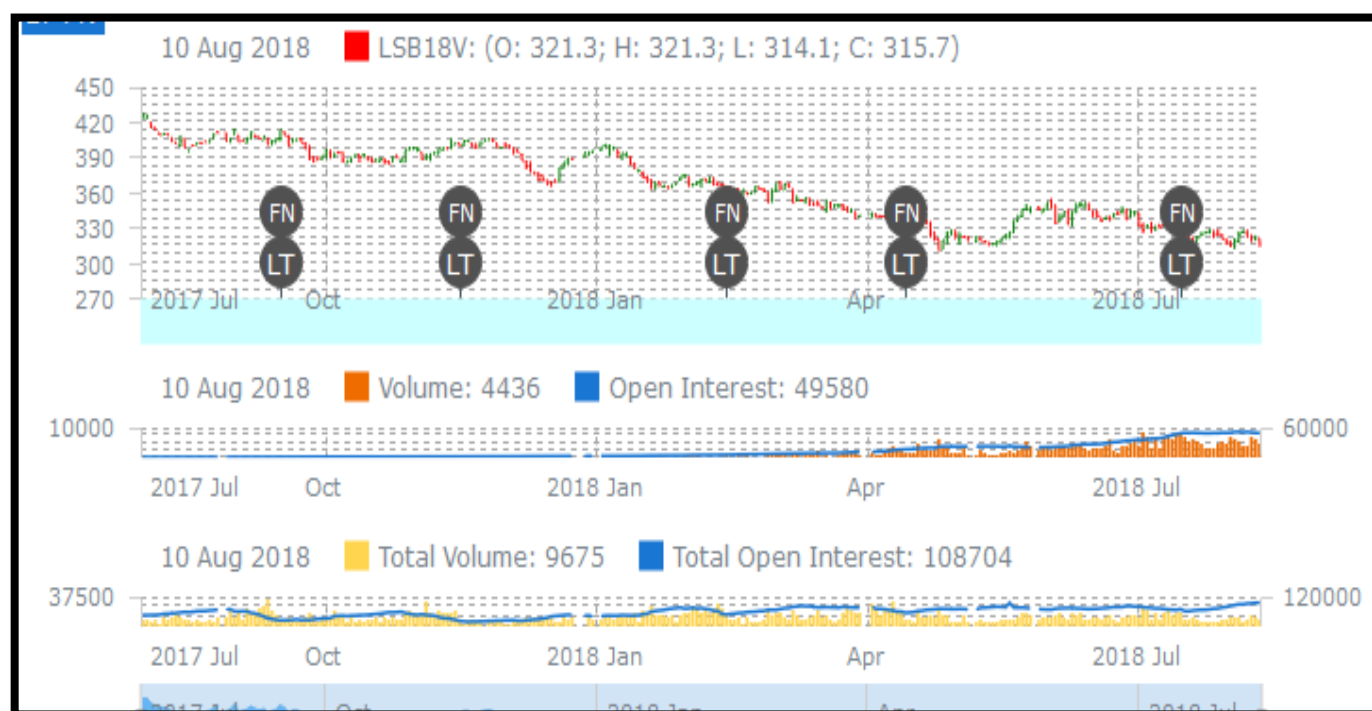
International Sugar Futures Price Projection

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 320, T1 320

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Oct'18	315.7	310-320

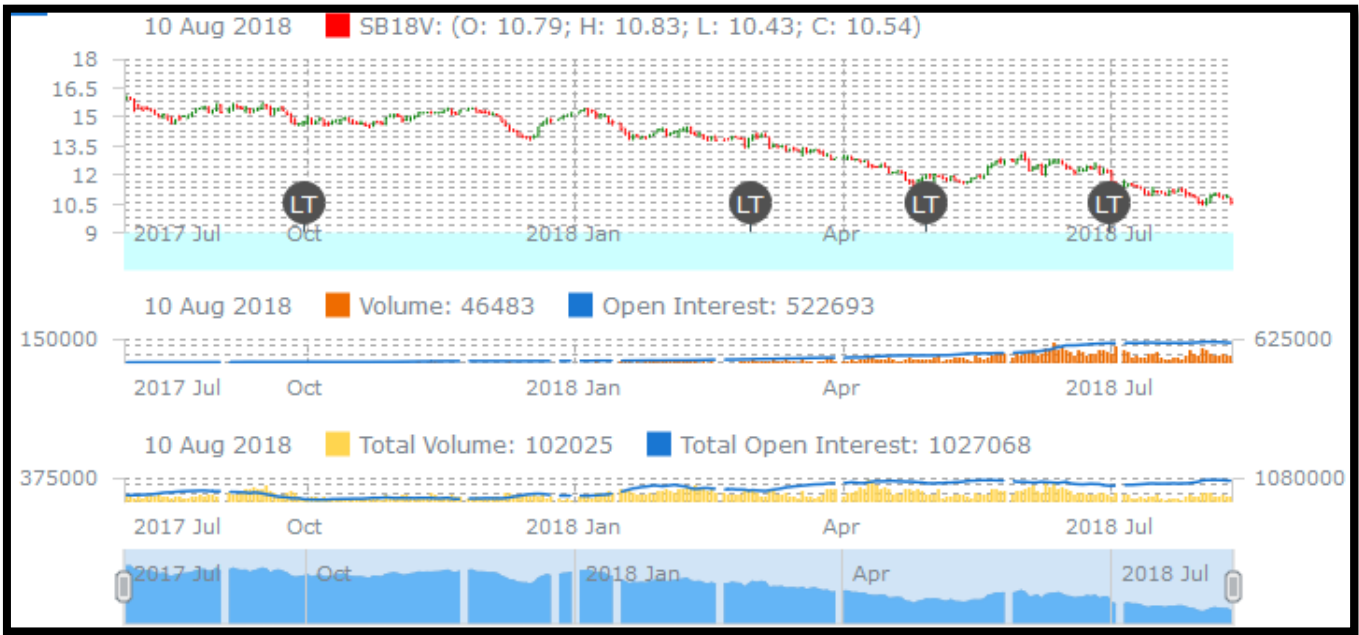


ICE (Raw Sugar Exchange) Future Market Scenario (Oct'18 Contract)

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	10.54	10-13



Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			09-Aug-18	02-Aug-18	09-Jul-18	09-Aug-17
Delhi	Delhi	M-Grade	3200	3250	3420	3790
	Delhi	S-Grade	3180	3230	3400	3770
Uttar Pradesh	Khatauli	M-Grade	3350	3300	3460	3780
	Ramala	M-Grade	NA	NA	0	0
	Dhampur	M-Grade Ex-Mill	3300	3300	3350	3750
	Dhampur	S-Grade Ex-Mill	3280	3280	3330	3730
	Dhampur	L-Grade Ex-Mill	3250	3350	3400	3800
Maharashtra	Mumbai	M-Grade	NA	3420	3576	3992
	Mumbai	S-Grade	NA	3282	3296	3806
	Nagpur	M-Grade	3325	3300	3325	3825
	Nagpur	S-Grade	3225	3200	3225	3750
	Kolhapur	M-Grade	3200	3175	3200	3700
	Kolhapur	S-Grade	3100	3075	3100	3625
Assam	Guhawati	S-Grade	3360	3385	3410	3943
Meghalaya	Shillong	S-Grade	3420	3395	3420	3945
Andhra Pradesh	Vijayawada	M-Grade	3660	3640	3740	3971
	Vijayawada	S-Grade	3660	3580	3680	3914
West Bengal	Kolkata	M-Grade	3580	3580	3700	4080
Tamil Nadu	Chennai	S-Grade	3500	3525	3500	3850
	Dindigul	M-Grade	3550	3680	3700	0
	Coimbatore	M-Grade	3680	3550	3700	0
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3450	3450	0

Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			09-Aug-18	02-Aug-18	09-Jul-18	09-Aug-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	3000	2975	0	3200
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	0	NA
	Muzaffarnagar	Khurpa	NA	NA	0	NA
	Muzaffarnagar	Laddoo	NA	NA	0	NA
	Muzaffarnagar	Rascut	2700	2675	2600	2663
	Hapur	Chaurasa	2950	2750	Closed	NA
	Hapur	Balti	3000	NA	Closed	NA
Andhra Pradesh	Chittur	Gold	4600	4600	0	0

		White	3800	4500	0	0
		Black	2250	2600	0	0
Maharashtra	Latur	Lal Variety	NR	NR	0	0
Karnataka	Bangalore	Mudde (Average)	4150	4300	4300	4850
	Belgaum	Mudde (Average)	3100	3000	3000	3500
	Belthangadi	Yellow (Average)	NA	NA	NA	0
	Bijapur	Achhu	3000	3100	3100	NA
	Gulbarga	Other (Average)	NA	2995	2850	3650
	Mahalingapura	Penti (Average)	NA	3247	3201	3567
	Mandya	Achhu (Medium)	3050	3150	3050	3600
	Mandya	Kurikatu (Medium)	2950	2950	2900	3500
	Mandya	Other (Medium)	2900	2900	2900	3350
	Mandya	Yellow (Medium)	3150	3150	3150	3650
	Shimoga	Achhu (Average)	NA	NA	3800	4550

International Sugar Prices (Weekly)				
	Contract Month	09-Aug-18	01-Aug-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	10.84	10.85	-0.01
	19-Mar	11.79	11.29	-0.5
	19-May	12.01	11.49	-0.52
LIFFE Sugar (US \$/MT)	18-Oct	321.7	314.5	-7.2
	18-Dec	323.3	314.8	-8.5
	19-Mar	328.8	318.9	-9.9

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