

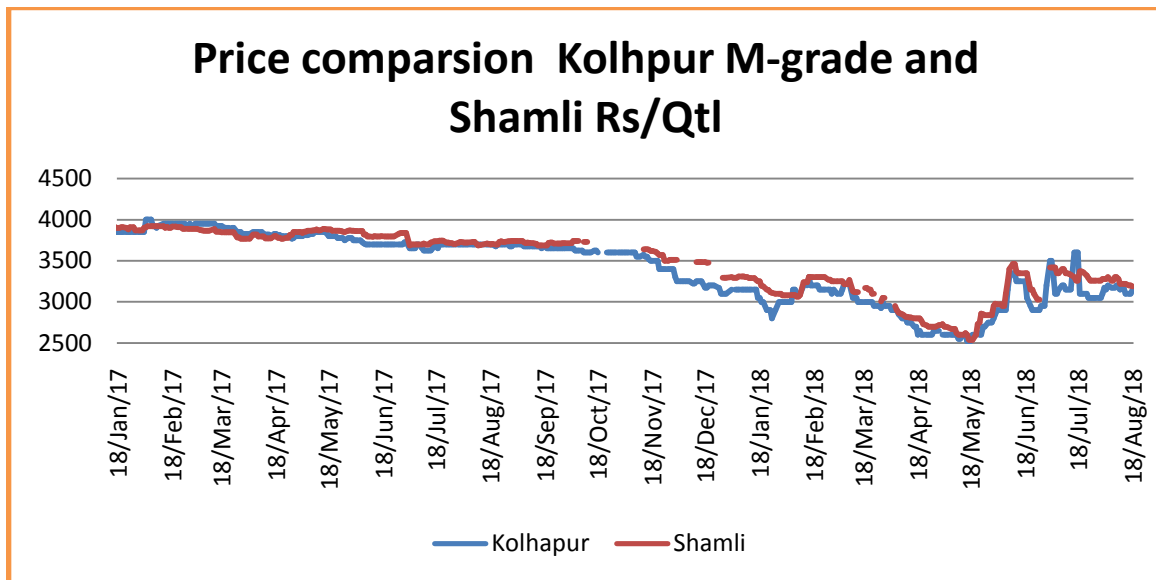
Sugar & Gur Weekly Research Report

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Domestic Sugar Market Summary

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3129 per quintal last week declined INR 71 per quintal from the previous week; while spot sugar prices for the same grade in Shamli district is 3208 per quintal at the end of last week, declined 72 rupees per quintal against previous week's average price



Price Outlook:

Sugar prices at most locations were noticed weak last week. Increased stocks after continued supplies from mills mainly pulled down sweetener prices.

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:

- **Sugar prices fell by Rs 30-50 per quintal in the wholesale markets in the last week due to increased stocks and weak demand from bulk consumers.** Increased stocks after continued supplies from mills mainly pulled down sweetener prices. Meanwhile, sporadic demand from bulk consumers ahead of festive season somewhat managed to cap heavy falls in sweetener prices.
- **The average price for gur 1st grade in Chittur market settled at Rs 4000 per quintal last week gaining INR 2.5 per quintal from the previous week.**
- **The central government has set minimum selling price of Rupee 29/kg along with prescribing a monthly release quota.** As a combined result of both the decisions, ex-mill prices have been ruling in the range of Rupee 30-33/kg. However, sugar mills from Uttar Pradesh, where sugar production has been rising every year, are keen to sell more sugar. It will help them clear the cane price arrears. But, sugar industry of Maharashtra thinks that release mechanism is necessary for the survival of small-sized sugar cooperatives.

Previous 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.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3129 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 3000 per 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.



Sugar Weekly Report

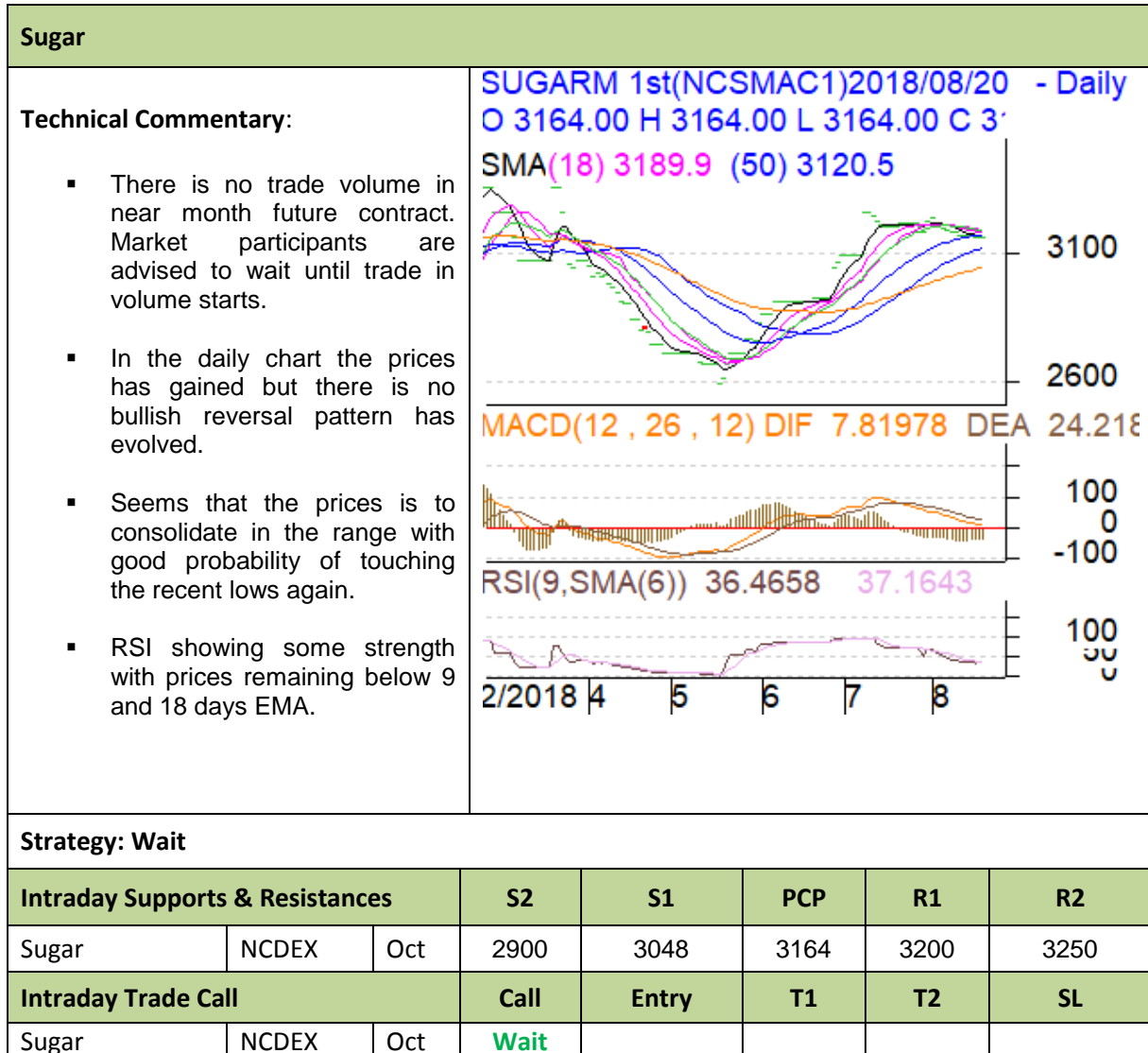
20 Aug 2018

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 10.18 cents/lb.** Expects world sugar price to remain below 13 cents/lb till September.
- **Brazil will likely step down to become the world's second-largest sugar producer on low global sugar prices and higher profitability and strong demand for ethanol,** according to a report by Brazilian consulting company JOB Economia e Planejamento. Market incentives for stronger ethanol production in Brazil, combined with expectations of an even larger bumper crop in India in the coming crop season, will likely make India the world's largest sugar producer, according to the report. Brazil's commercial ethanol premium over domestic sugar has ranged from 4% to 40% since October 2017, a trend that is expected to continue for the foreseeable future, the report said.
- **Brazil is expected to produce 2.7 million mt of sugar in the North-Northeast region and 27 million mt in the Center-South region, yielding 29.7 million mt of sugar for CY 2018-19,** which runs from April-March in the North-Northeast region, and October-September in the Central-South region, according to the JOB report. The CS Brazil production figures would be 9.1 million mt lower than CY 2017-18 levels, according to the report.
- **Brazil is expected to produce 31.2 billion liters of ethanol in the same period, including 29.2 billion liters in the CS region.** The expected ethanol production in the CS region would break the previous record of 28.2 billion liters set in 2015-16, according to the report.

Previous Updates

- **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.
- **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.**

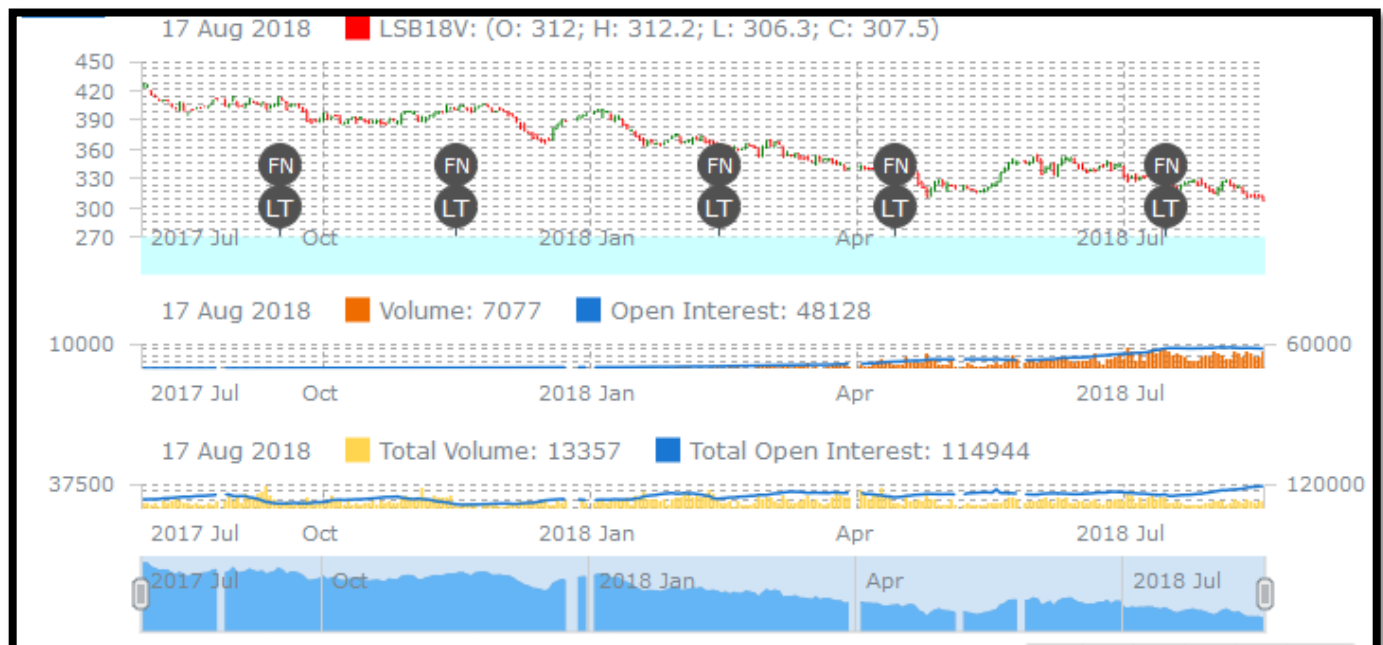
International Sugar Futures Price Projection

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 310, T1 350

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Oct'18	307.5	300-350

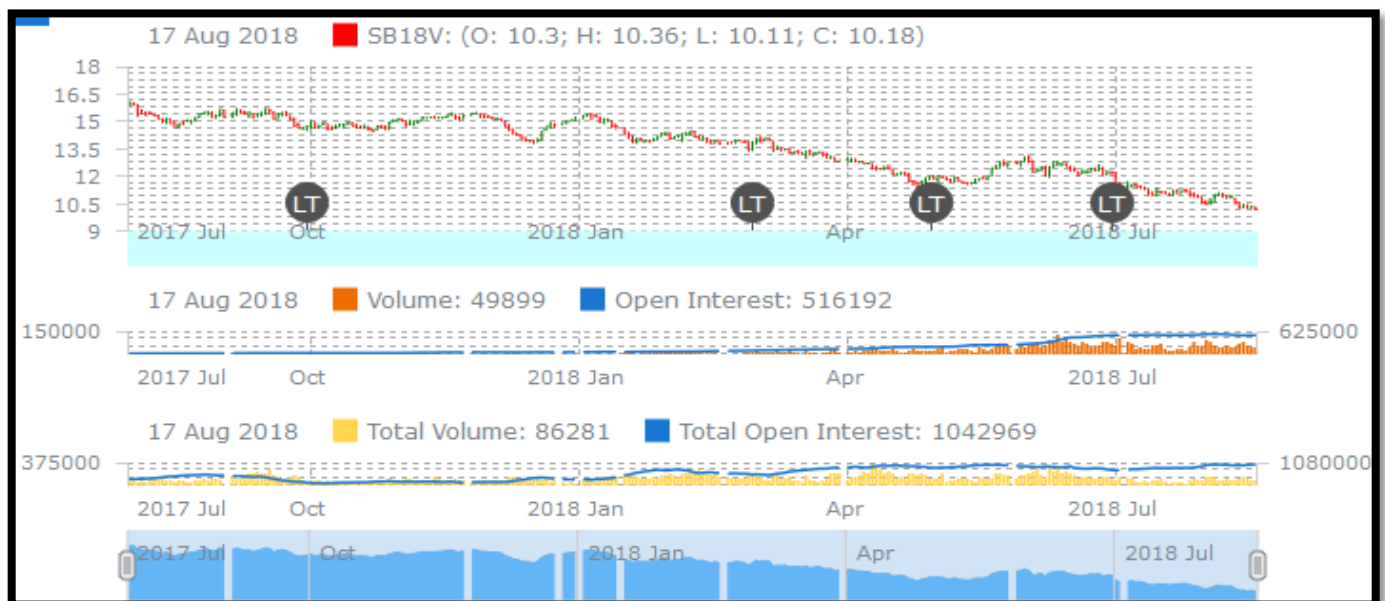


ICE (Raw Sugar Exchange) Future Market Scenario (Oct'18 Contract)

Technical Commentary:

- ICE raw sugar futures trend downward for the week.
- Last candlestick depicts bearish in the market. Strategy: sell at 10.20.00 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	10.18	10-13



Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			16-Aug-18	09-Aug-18	16-Jul-18	16-Aug-17
Delhi	Delhi	M-Grade	3200	3200	3300	3771
	Delhi	S-Grade	3180	3180	3280	3751
Uttar Pradesh	Khatauli	M-Grade	3320	3350	3400	3775
	Ramala	M-Grade	NA	NA	0	0
	Dhampur	M-Grade Ex-Mill	3200	3300	3290	3695
	Dhampur	S-Grade Ex-Mill	3180	3280	3270	3675
	Dhampur	L-Grade Ex-Mill	3250	3350	3340	3745
Maharashtra	Mumbai	M-Grade	3450	Closed	3520	3946
	Mumbai	S-Grade	3242	Closed	3276	3806
	Nagpur	M-Grade	3225	3325	3275	3825
	Nagpur	S-Grade	3150	3225	3175	3750
	Kolhapur	M-Grade	3100	3200	3150	3700
	Kolhapur	S-Grade	3025	3100	3050	3625
Assam	Guhawati	S-Grade	3334	3410	3360	3943
Meghalaya	Shillong	S-Grade	3345	3420	3370	3945
Andhra Pradesh	Vijayawada	M-Grade	3620	3660	3740	3971
	Vijayawada	S-Grade	3560	3600	3680	3914
West Bengal	Kolkata	M-Grade	3590	3580	3600	4120
Tamil Nadu	Chennai	S-Grade	3475	3500	3500	3850
	Dindigul	M-Grade	3760	3820	3680	0
	Coimbatore	M-Grade	3680	3680	3700	0
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3600	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)			16-Aug-18	09-Aug-18	16-Jul-18	16-Aug-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	2950	3000	0	3150
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	0	NA
	Muzaffarnagar	Khurpa	NA	NA	0	NA
	Muzaffarnagar	Laddoo	NA	NA	0	NA
	Muzaffarnagar	Rascut	2675	2700	2650	2588
	Hapur	Chaurasa	2750	2750	Closed	NA
	Hapur	Balti	NA	NA	Closed	NA
Andhra Pradesh	Chittur	Gold	NR	NR	0	0
		White	NR	3800	0	0
		Black	NR	2500	0	0

Maharashtra	Latur	Lal Variety	NR	NR	0	0
Karnataka	Bangalore	Mudde (Average)	4150	4150	4300	4950
	Belgaum	Mudde (Average)	3100	3100	3000	3500
	Belthangadi	Yellow (Average)	NA	NA	NA	0
	Bijapur	Achhu	3100	3000	3000	NA
	Gulbarga	Other (Average)	3150	2950	2760	3525
	Mahalingapura	Penti (Average)	3263	3280	3326	3456
	Mandya	Achhu (Medium)	3350	3050	3100	3650
	Mandya	Kurikatu (Medium)	3000	2950	2900	3500
	Mandya	Other (Medium)	2950	2900	3000	3350
	Mandya	Yellow (Medium)	3300	3100	3200	3600
	Shimoga	Achhu (Average)	3950	NA	3800	4500

International Sugar Prices (Weekly)				
	Contract Month	16-Aug-18	25-Jul-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	10.30	10.84	-0.54
	19-Mar	11.14	11.79	-0.65
	19-May	11.36	12.01	-0.65
LIFFE Sugar (US \$/MT)	18-Oct	311.20	321.7	-10.50
	18-Dec	312.40	323.3	-10.90
	19-Mar	316.50	328.8	-12.30

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