

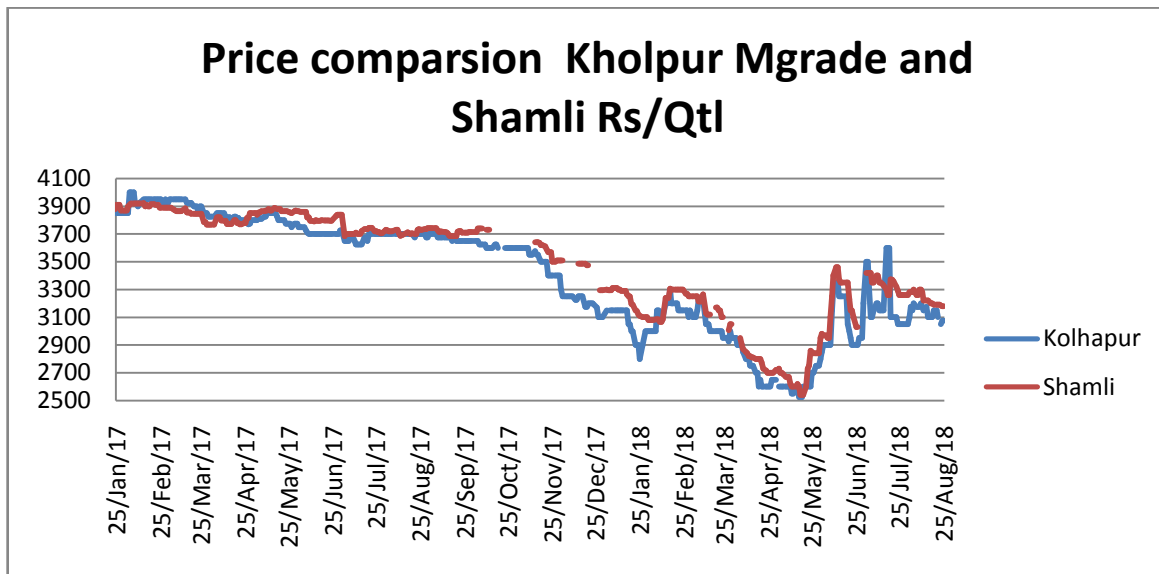
Sugar & Gur Weekly Research Report

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Domestic Sugar Market Summary

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3090 per quintal last week declined INR 39 per quintal from the previous week; while spot sugar prices for the same grade in Shamli district is 3185 per quintal at the end of last week, declined 23 rupees per quintal against previous week's average price



Price Outlook:

Sugar prices at most locations were noticed weak last week. This was despite trade expectations that the release quota of 1.7 million tonnes for August was lower than probable demand.

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 2900–Rs 3300 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:

- **The food ministry last week extended the deadline for exporting 2 million tonne of sugar by three months to December** as only a fourth of it has been shipped so far. In March, the government had allowed sugar export in view of record domestic output of 32 MT. Mill-wise, Minimum Indicative Export Quotas (MIEQ) were allocated by the ministry in May. Mills can export either sugar produced in the current 2017-18 season or the next 2018-19 season (October-September). As per the official data, only about 5 lakh tonne sugar has been exported so far.
- **The sugarcane crushing season is about to begin & Sugar mills will start the 2019 crushing season** with a huge backlog of unsold stock & huge arrears. Several farmers are yet to get their arrears from the previous season. The outstanding arrears are now Rs 16,600 crore against the peak of Rs 23,232 crore in May-end. Problem of pending payments is particularly acute in UP, which accounts for 64% of the total outstanding arrears.
- **Till 24th Aug 2018, sugarcane has been sown 50.60 lakh hectares, 1.48 % higher than 49.86 lakh ha** till date last year and 9.15% higher than the normal acreage of 46.36 lakh ha till date.

Previous Updates

- **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.
- **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.
- **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.

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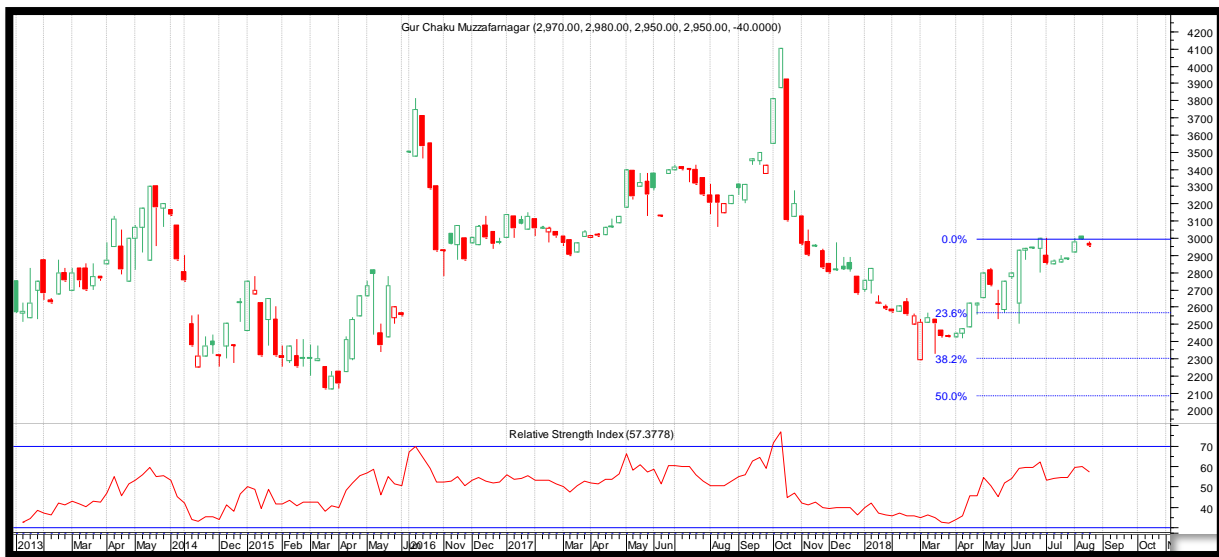
Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3090 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.

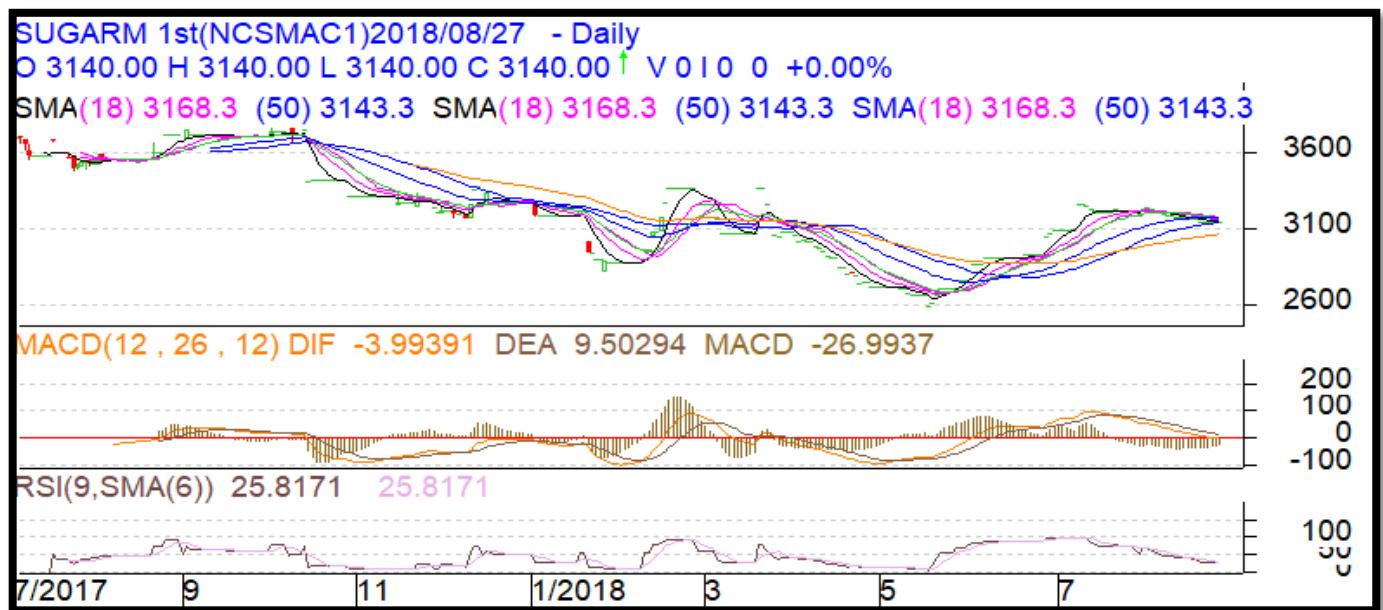


Domestic Sugar Market Technical Analysis (Future Market)

Commodity: Sugar

Exchange: NCDEX

Contract: Sugar 1 M Cont



Strategy: Wait

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Oct	2900	3100	3140	3200	3250
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	Oct	Wait				

* Do not carry-forward the position next day.

Technical Commentary:

- There is no trade volume in near month future contract. Market participants are advised to wait until trade in volume starts.
- In the daily chart the prices has gained but there is no bullish reversal pattern has evolved.
- Seems that the prices are to consolidate in the range with good probability of touching the recent lows again.
- RSI showing some strength with prices remaining below 9 and 18 days EMA.

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

- ***Sugar prices have fallen to their lowest levels in a decade and are likely to drop further as record world-wide production collides with healthier eating. Raw sugar futures traded on the ICE Futures U.S. exchange settled at 10.23 cents a pound on Friday, the lowest finish for a front-month contract since June 10, 2008.***
- ***According to Agricultural Statistic Agency. Brazil's total cane crush in the current crop at 635 million tonnes compared to 625 million tonnes in its May estimate and 633 million tonnes in the previous crop (2017/18). The agency, however, lowered its views for sugar production both for the country and for the center-south region. The agency projected center-south cane crush at 587 million tonnes versus 580 million tonnes seen in May and 588 million tonnes reported for the 2017/18 crop.***
- ***This season sugar beet production in Vinnytsia region is forecasted to increase by 10-15%, as compared to the last year's figures. Heavy rains in Vinnytsia region at the end of July – in early August added weight to beet roots, but reduced sugar content in it. During the first decade of August, the beet root growth was 113-344 g. The weight of beet root exceeds last year's figures by 50-60 g. But sugar content is lower. It is fixed at 12,1-13,99%.***
- ***Brazilian ethanol producers have been facing strong selling pressure since the end of July, triggered by low storage capacity as well as some mills dropping prices to boost liquidity and cash flow.***

Previous Updates

- ***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.
- **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.

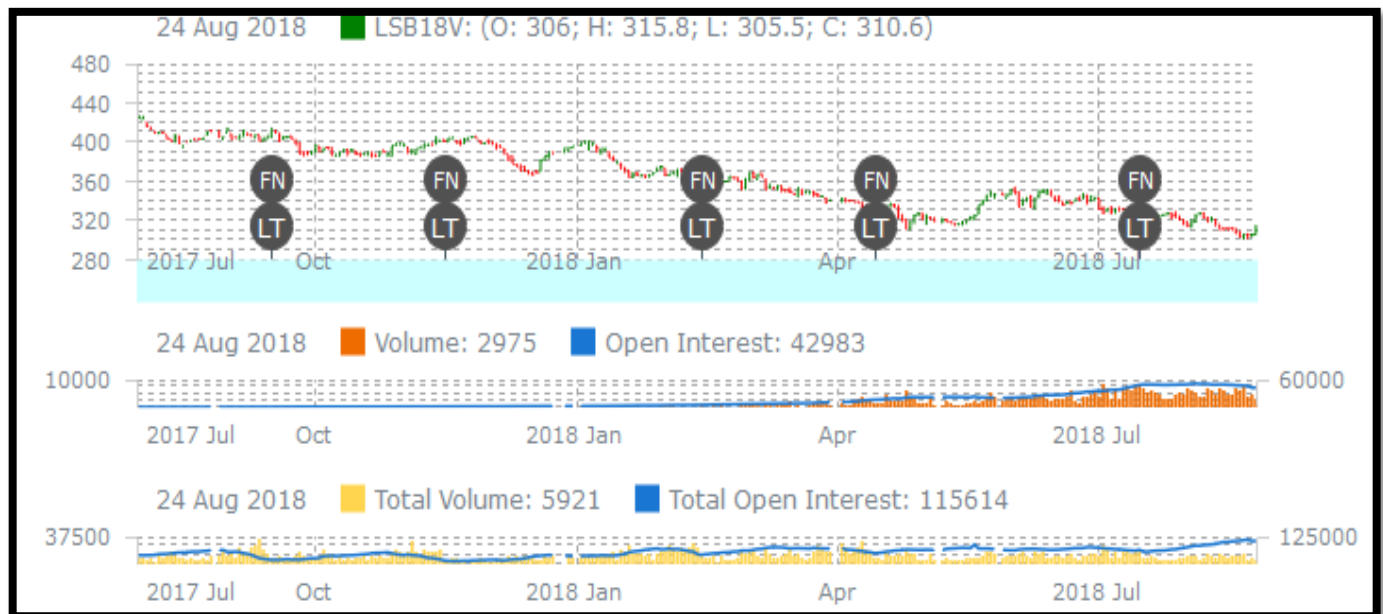
International Sugar Futures Price Projection

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 312, T1 330

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Oct'18	310.6	300-330

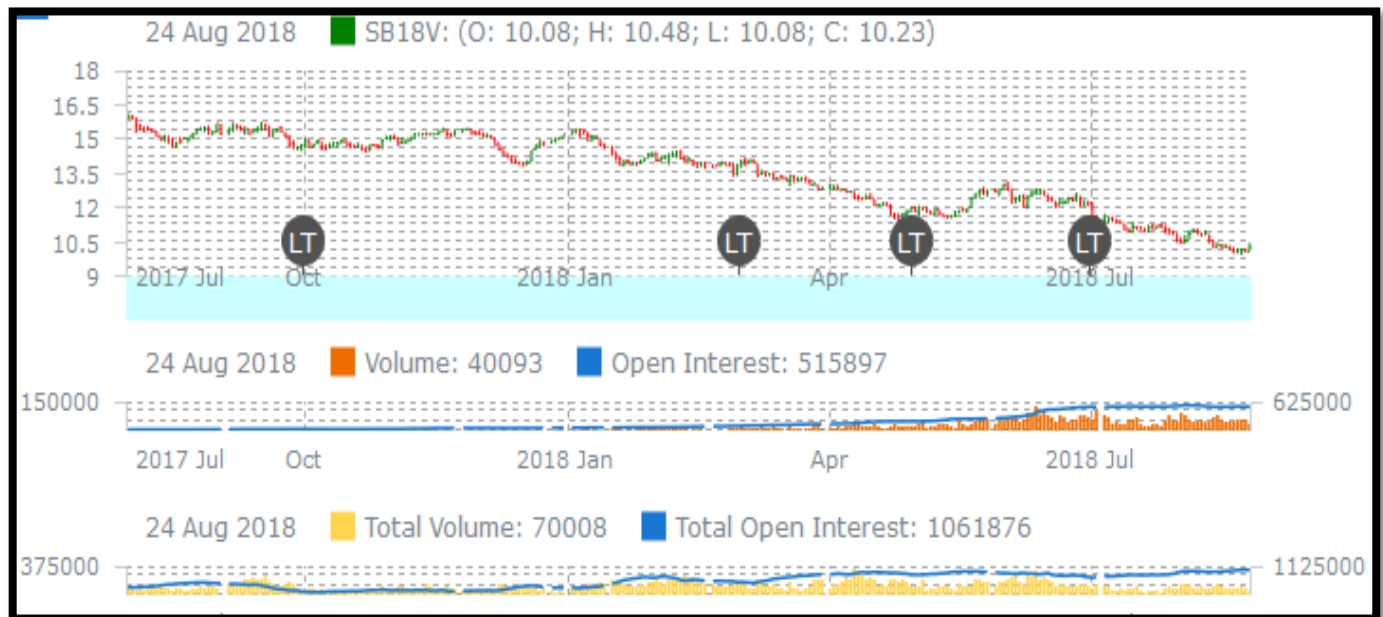


ICE (Raw Sugar Exchange) Future Market Scenario (Oct'18 Contract)

Technical Commentary:

- ICE raw sugar futures trend downward for the week.
- Last candlestick depicts bearish in the market. Strategy: sell at 10.40.00 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	10.23	10-13



Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			23-Aug-18	16-Aug-18	23-Jul-18	23-Aug-17
Delhi	Delhi	M-Grade	3140	3200	3270	3805
	Delhi	S-Grade	3120	3180	3250	3785
Uttar Pradesh	Khatauli	M-Grade	3290	3320	3370	3775
	Ramala	M-Grade	NA	NA	NA	3670
	Dhampur	M-Grade Ex-Mill	3180	3200	3280	3710
	Dhampur	S-Grade Ex-Mill	3160	3180	3260	3690
	Dhampur	L-Grade Ex-Mill	3230	3250	3330	3760
Maharashtra	Mumbai	M-Grade	3430	3450	3540	3940
	Mumbai	S-Grade	3206	3242	3300	3810
	Nagpur	M-Grade	3175	3225	3225	3825
	Nagpur	S-Grade	3075	3150	3175	3750
	Kolhapur	M-Grade	3050	3100	3100	3700
	Kolhapur	S-Grade	2950	3025	3050	3625
Assam	Guhawati	S-Grade	3258	3334	3360	3943
Meghalaya	Shillong	S-Grade	3270	3345	3370	3945
Andhra Pradesh	Vijayawada	M-Grade	3600	3620	3680	3971
	Vijayawada	S-Grade	3540	3560	3620	3914
West Bengal	Kolkata	M-Grade	3550	3590	3590	4120
Tamil Nadu	Chennai	S-Grade	3400	3475	3500	3850
	Dindigul	M-Grade	3720	3760	3680	0
	Coimbatore	M-Grade	3680	3680	3550	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)			23-Aug-18	16-Aug-18	23-Jul-18	23-Aug-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	2960	2950	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	2650	2675	2650	2650
	Hapur	Chaurasa	NA	2750	Closed	NA
	Hapur	Balti	NA	NA	Closed	NA
Andhra Pradesh	Chittur	Gold	4025	NR	4300	0

Spot Jaggery(Gur) Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)			23-Aug-18	16-Aug-18	23-Jul-18	23-Aug-17
		White	3900	NR	3850	0
		Black	2600	NR	3400	0
Maharashtra	Latur	Lal Variety	NR	NR	0	0
Karnataka	Bangalore	Mudde (Average)	4150	4150	4300	4750
	Belgaum	Mudde (Average)	NA	3100	3000	3500
	Belthangadi	Yellow (Average)	NA	NA	NA	0
	Bijapur	Achhu	3100	3100	3000	NA
	Gulbarga	Other (Average)	3255	3150	2825	NA
	Mahalingapura	Penti (Average)	3286	3263	3347	3514
	Mandya	Achhu (Medium)	3300	3350	3300	3850
	Mandya	Kurikatu (Medium)	3000	3000	3000	3400
	Mandya	Other (Medium)	3000	2950	3000	3400
	Mandya	Yellow (Medium)	3350	3300	3300	3500
	Shimoga	Achhu (Average)	4050	3950	3850	NA

International Sugar Prices (Weekly)				
	Contract Month	23-Aug-18	16-Jul-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	10.12	10.3	-0.18
	19-Mar	11	11.14	-0.14
	19-May	11.19	11.36	-0.17
LIFFE Sugar (US \$/MT)	18-Oct	306	311.2	-5.2
	18-Dec	306.8	312.4	-5.6
	19-Mar	310.8	316.5	-5.7

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