

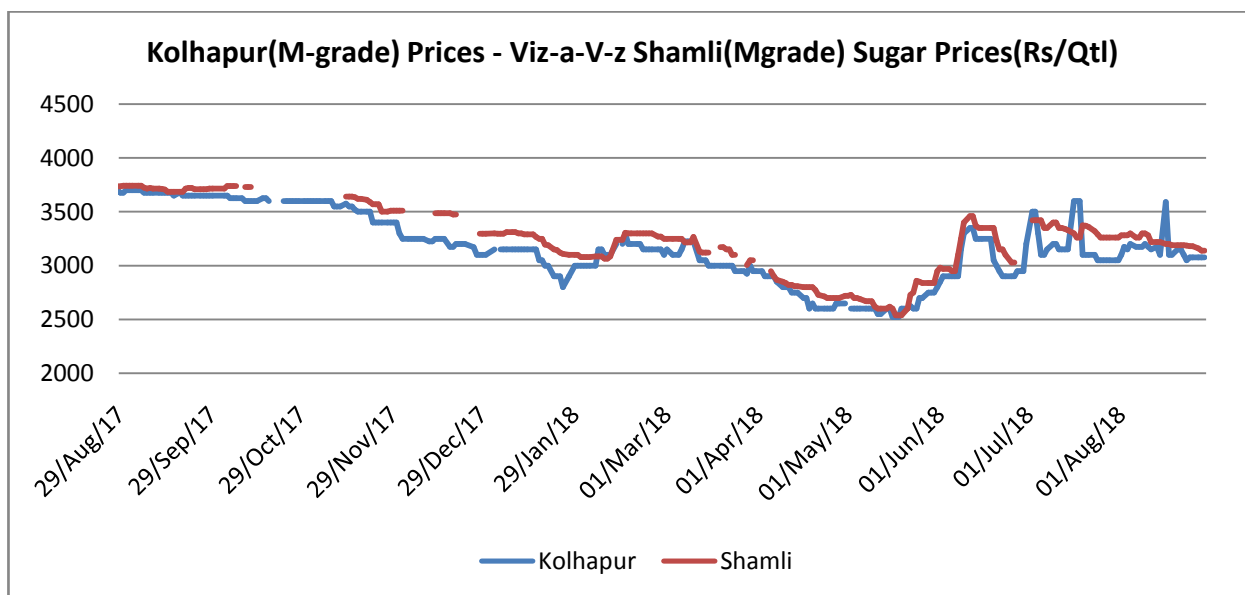
Sugar & Gur Weekly Research Report

Contents

- ❖ Domestic Sugar Market Summary
- ❖ Price Projection
- ❖ Domestic Market Highlights
- ❖ Domestic Sugar Market Technical Analysis (Future Market)
- ❖ Domestic Sugar Market Technical Analysis (Spot Market)
- ❖ International Sugar Market Summary
- ❖ International Market Highlight
- ❖ International Market Technical Analysis (Future Market)
- ❖ Gur Market Scenario/ Technical Analysis (Spot Market)
- ❖ Annexure

Domestic Sugar Market Summary

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3075 per quintal last week declining INR 45 per quintal from the previous week; while spot sugar prices for the same grade in Shamli district is 3160 per quintal at the end of last week, declined 32 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:

- **Crushing of cane for the next sugar season (October 2018-September 2019) would commence in October this year with production** Agriwatch expected to be about 35 million tonnes. The mills usually complete crushing of cane by April and they would have to pay a fair remunerative price of Rs 97,000 crore to the farmers next season.
- **ISMA officials had visited several countries, with some delegations led by government officials, to learn about export opportunities.** Refineries and importers in Bangladesh, Dubai, and China have shown interest to enter into long-term import contracts for raw sugar from October this year. However, exporters are unable to give commitments. These countries want the sugar at prices on a par with countries such as Brazil and Thailand.
- **Brazil expected to produce about 30 million tonnes of sugar in the 2018-19 sugar season** (including North East Brazil), 22 per cent lower than in the previous year. India, on the other hand, is projected to have an output of 35.5 million tonnes in the 2018-19 season (October-September), breaking the record of 32 million tonnes in 2017-18.
- **Till 31st Aug 2018, sugarcane has been sown in 51.94 lakh hectares, 2.1 % higher than 49.86 lakh ha** till date last year and 5.6% higher than the normal acreage of 46.36 lakh ha till date.

Previous Updates

- **The food ministry 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.
- **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.
- **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 3075quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3200 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
Contract: Sugar 1 M Cont

Exchange: NCDEX



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

- ***Some of the recently intense downward pressure on the sugar market was lifted this week as lower EU beet estimates encouraged concerns that white sugar deliveries against the soon-to-expire front month (October) would fail to meet the needed level at current prices.***
- ***Raw sugar futures in New York touched a three-week high*** as the market continued a rebound from last week's 10-year low of 9.91¢/lb. and expecting Futures will trade at below 13 cents/Lb till March.
- ***Brazil expected to produce about 30 million tonnes of sugar in the 2018-19 sugar season*** (including North East Brazil), 22 per cent lower than in the previous year. India, on the other hand, is projected to have an output of 35.5 million tonnes in the 2018-19 season (October-September), breaking the record of 32 million tonnes in 2017-18.
- ***Ukraine is likely to produce about 1.9 mln tonnes of white sugar in 2018/19*** (Sep/Aug), down from 2.14 mln in the previous season, according to the National Association of Sugar Producers (Ukrtsukor).

Previous Updates

- ***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%.
- ***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.

- **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.**

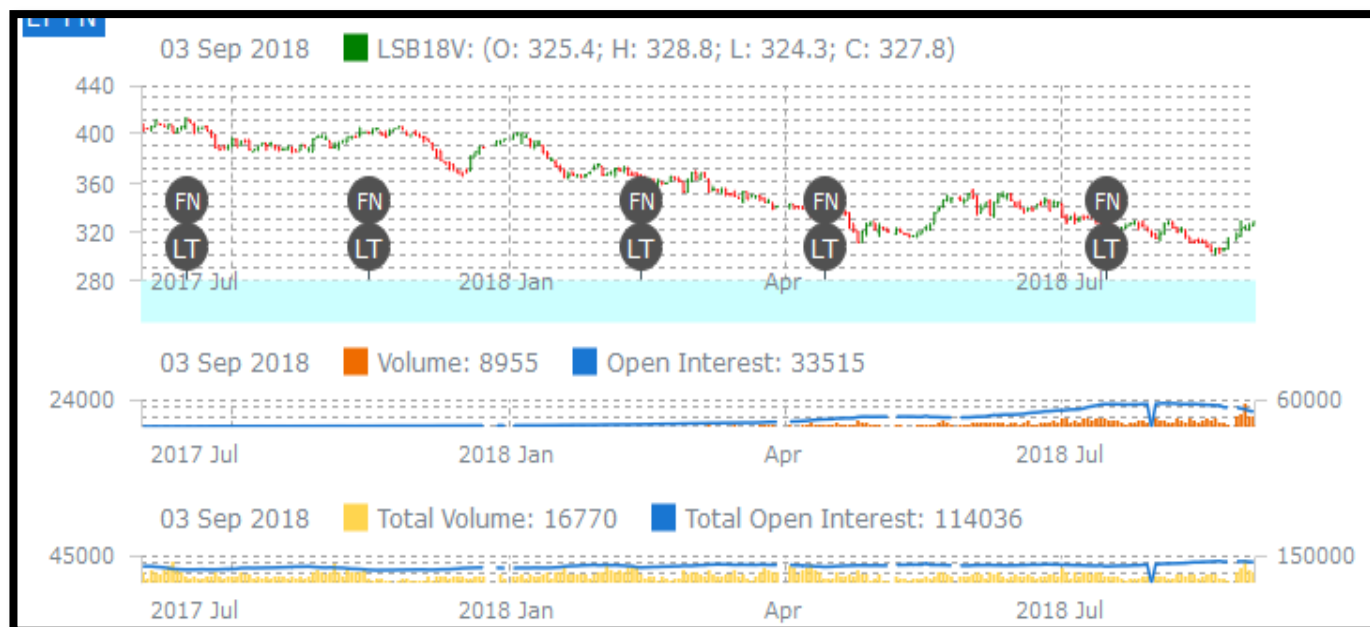
International Sugar Futures Price Projection

LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Oct'18 Contract)

Technical Commentary

- LIFFE future market trends firm for the week.
- Last candlestick depicts bullishness in the market.
- Strategy: sell below 330,T1 330

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Oct'18	327	300-330



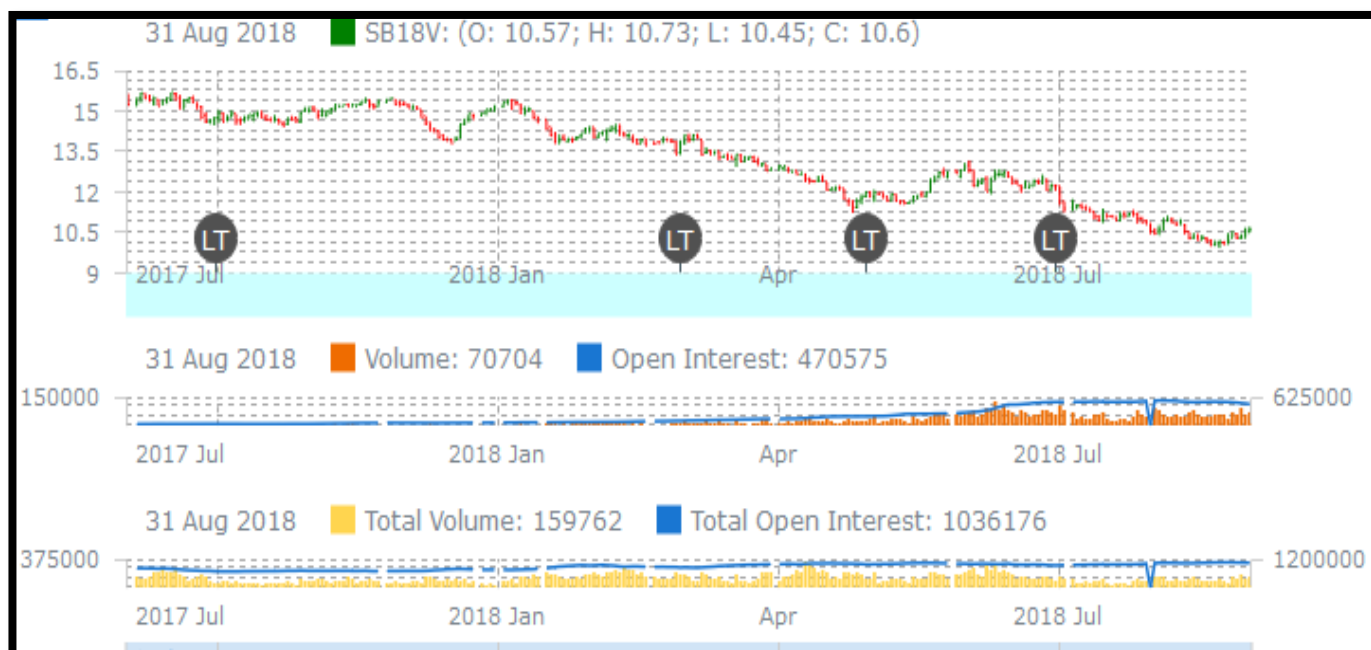
ICE (Raw Sugar Exchange) Future Market Scenario (Oct'18 Contract)

Technical Commentary:

- ICE raw sugar futures trend upward for the week.
- Last candlestick depicts bearish in the market. Strategy: sell at 10.70. 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	10.60	10-13



Spot Sugar Prices Scenario (Weekly)

Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			30-Aug-18	23-Aug-18	30-Jul-18	30-Aug-17
Delhi	Delhi	M-Grade	3150	3140	3200	3824
	Delhi	S-Grade	3130	3120	3180	3804
Uttar Pradesh	Khatauli	M-Grade	3300	3290	3350	3775
	Ramala	M-Grade	NA	NA	NA	3775
	Dhampur	M-Grade Ex-Mill	3150	3180	3300	3700
	Dhampur	S-Grade Ex-Mill	3130	3160	3280	3680
	Dhampur	L-Grade Ex-Mill	3200	3230	3350	3750
Maharashtra	Mumbai	M-Grade	3446	3430	3376	3940
	Mumbai	S-Grade	3210	3206	3266	3780
	Nagpur	M-Grade	3175	3175	3175	Closed
	Nagpur	S-Grade	3075	3075	3125	Closed
	Kolhapur	M-Grade	3050	3050	3050	Closed
	Kolhapur	S-Grade	2950	2950	3000	Closed
Assam	Guhawati	S-Grade	3258	3258	3309	Closed

Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			30-Aug-18	23-Aug-18	30-Jul-18	30-Aug-17
Meghalaya	Shillong	S-Grade	3270	3270	3320	Closed
Andhra Pradesh	Vijayawada	M-Grade	3600	3600	3640	3993
	Vijayawada	S-Grade	3540	3540	3580	3933
West Bengal	Kolkata	M-Grade	3550	3550	3630	4120
Tamil Nadu	Chennai	S-Grade	3350	3400	3510	3900
	Dindigul	M-Grade	3640	3720	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)			30-Aug-18	23-Aug-18	30-Jul-18	30-Aug-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	2950	2960	0	3250
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	0	NA
	Muzaffarnagar	Khurpa	NA	NA	0	NA
	Muzaffarnagar	Laddoo	NA	NA	0	NA
	Muzaffarnagar	Rascut	2725	2650	2700	3100
	Hapur	Chaurasa	NA	NA	Closed	NA
	Hapur	Balti	NA	NA	Closed	NA
Andhra Pradesh	Chittur	Gold	4050	4025	4350	0
		White	3950	3900	4200	0
		Black	2650	2600	2750	0
Maharashtra	Latur	Lal Variety	NR	NR	0	0
Karnataka	Bangalore	Mudde (Average)	4150	4150	4300	4950
	Belgaum	Mudde (Average)	2900	2900	NA	3500
	Belthangadi	Yellow (Average)	NA	NA	NA	0
	Bijapur	Achhu	3000	3100	3150	NA
	Gulbarga	Other (Average)	3150	3255	2985	3550
	Mahalingapura	Penti (Average)	3179	3286	3288	3560
	Mandya	Achhu (Medium)	3200	3300	3250	3850
	Mandya	Kurikatu (Medium)	3000	3000	3000	3500
	Mandya	Other (Medium)	2950	3000	2950	3450
	Mandya	Yellow (Medium)	3200	3350	3200	3650
	Shimoga	Achhu (Average)	3950	4050	3900	4650



International Sugar Prices (Weekly)				
	Contract Month	30-Aug-18	23-Aug-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	10.57	10.12	0.45
	19-Mar	11.34	11	0.34
	19-May	11.44	11.19	0.25
LIFFE Sugar (US \$/MT)	18-Oct	324.30	306	18.30
	18-Dec	321.70	306.8	14.90
	19-Mar	320.70	310.8	9.90

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2017 Indian Agribusiness Systems Ltd.