

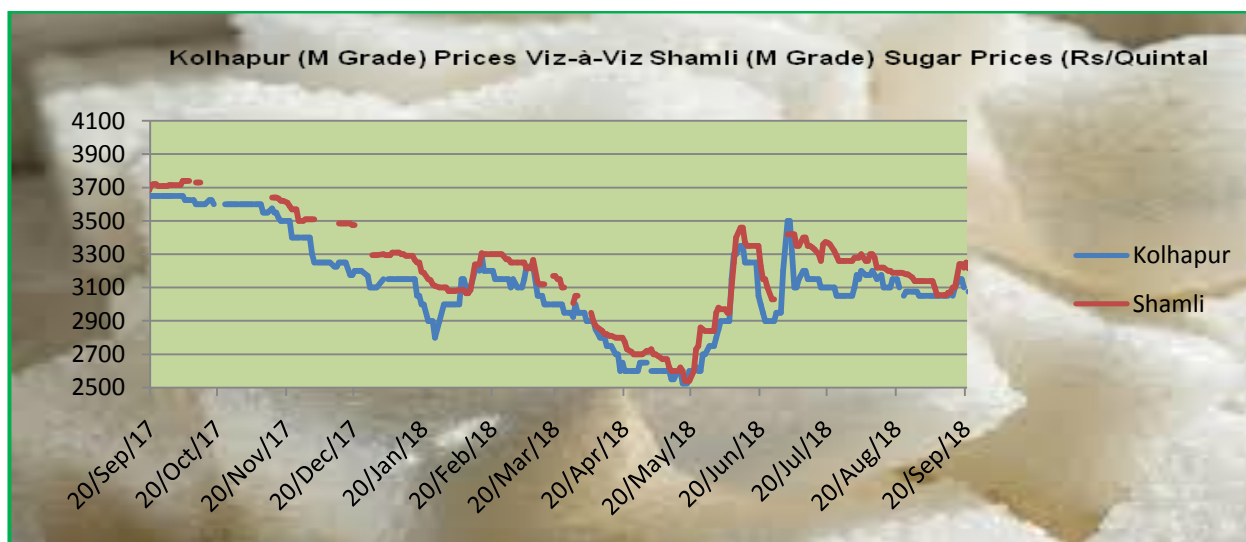
Sugar & Gur Weekly Research Report

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Domestic Sugar Market Summary

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3100 per quintal last week gaining INR 38 per quintal from the previous week; while spot sugar prices for the same grade in Shamli district is 3227 per quintal at the end of last week, gaining 148 rupees per quintal against previous week's average price.



Price Outlook:

- Sugar prices in most of the markets were noticed firm last week. Sugar stocks gained from this move and Sugar prices have risen up to Rs 320 per quintal at the wholesale market due to aggressive offtake by stockists and bulk consumers after the hike in ethanol price. Marketmen said frantic buying by bulk consumers such as soft uch as soft-drink, ice-cream and confectioners coupled with thin supplies lifted sweetener prices notably high.

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 3500 per quintal for next week.

Fundamental summary:

Price Drivers	Impact
Higher cane acreage for 2018-19 & Agriwatch production estimated to rise 35.5 mn tonnes in 2018-19	Bearish
Tightening of restriction on monthly sales	Bullish
MSP at Mill gate fixed at Rs 2900/ Qtl for refined Sugar	Bullish
Announcement for creation of 3 mn tonnes of buffer stock	Bullish

Domestic Market Highlights

Recent Updates:

- **Maharashtra's sugar production is likely to be 10% lower in the 2018-19 season than the earlier estimates of the government and industry owing to deficient rainfall and incidence of white grub, which are expected to reduce per hectare sugarcane productivity.** The overall sugar production of the state can decline 10% than estimated earlier. It will go below 100 lakh tonnes, said BB Thombre, president, Western Indian Sugar Mills Association (WISMA). Production of sugarcane in Marathwada, Solapur, Ahmednagar and Khandesh areas will decline 15-20% due to insufficient rainfall.
- **The Union cabinet on last week didn't consider Rs 4,500 crore plan to more than double the production assistance paid to sugarcane farmers and transport subsidy to sugar exporting mills.** The cabinet committee on economic affairs may take up the food ministry's proposal next week, sources said. The ministry has proposed sharp increase in production assistance to farmers to Rs 13.88 per quintal for 2018-19 marketing year (October-September) from Rs 5.5 per quintal at present. The proposal to raise production assistance and transport subsidy of Rs 3,000 per tonne to mills for exports of 5 million tonnes of surplus sugar is part of the government plan to clear over Rs 13,500 crore arrears sugar mills have towards farmers.
- **Till 20th Sep 2018, sugarcane has been sown in 51.94 lakh ha, 4.17% higher than 49.86 lakh ha till date last year & 12.04% higher than the normal acreage of 46.36 lakh ha till date.** As per ISMA, total area under sugarcane may rise 7.8% to 54.35 la ha in 2018/19 from 50.42 la ha this season.
- **Price hike in Ethanol is a bonus for the sugar mills as it is more profitable compared to producing sugar,** thus margins will move up and secondly mills would be able to control their sugar inventory by re-balancing production, thus saving on working capital blocked in inventory.

Previous Updates

- **The union cabinet on last week increased the procurement price of ethanol produced from B-heavy molasses (also called as intermediary molasses) to Rs 59 a litre from the current Rs 47.13 a litre and that produced from C-heavy molasses to Rs 53 a litre from the existing Rs 43.46 a litre, an increase of 25 per cent.** In Such case the sugar production might lead to decrease when the mills start producing ethanol directly from B-molasses.
- **Crushing of cane for the 2018-19 sugar season (October-September) set to begin in just over a month, the BJP government in Uttar Pradesh is set to approve a Rs 5,535-crore package** to help mills clear their outstanding payment dues to growers, which are now almost at Rs 10,000 crore. The Rs 5,535-crore amount would include Rs 1,010 crore to be disbursed to 24 cooperative factories and Rs 25 crore to the sole state corporation-owned mill. The balance Rs 4,500 crore will be given to private sugar mills — Rs 500 crore as grant and Rs 4,000 crore in the form of soft loans.
- **Till 14th Sep 2018, sugarcane has been sown in 51.94 lakh ha, 4.17% higher than 49.86 lakh ha till date last year & 12.04% higher than the normal acreage of 46.36 lakh ha till date.** As per ISMA, total area under sugarcane may rise 7.8% to 54.35 la ha in 2018/19 from 50.42 la ha this season.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3100 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.



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

- **Global sugar prices hit a 56-year low after more than a decade of steady rise, fuelled in part by the ethanol boom in Brazil.** Bumper crops in Thailand (50% up from 2016-17) and expected 20-year record production of 21 million tonnes in EU is expected to keep global prices under pressure.
- **Brazilian and Australian sugar industry groups are working** together with their respective governments to prepare a formal complaint to the World Trade Organization (WTO) over any possible sugar export subsidy by India.
- **Brazil's ethanol output is seasonal and typically peaks during the fourth quarter (October–December) of each year.** The peak coincides with the harvest of sugarcane, the primary feedstock used in Brazil's ethanol production. This seasonal fuel ethanol production can lead to significant monthly variations in Brazil's total petroleum and other liquids production.

- *UNICA, the Brazilian sugarcane industry association, has announced sales of hydrous ethanol set a new bi-weekly record during the second half of August, reaching 1.05 billion liters (277.38 million gallons).*

Previous Updates

- ***U.S. beet sugar production for 2018/19 is projected up 235,923 short tons, raw value STRV) to 5.343 million.*** The increase is based on sugarbeet area and yield forecasts made by NASS in Crop Production, on improved sugar extraction based on processor -reported field conditions heading into the harvest campaign, and on a lower projected beet pile shrink. Based on NASS sugarcane yield and area harvested and processors' forecast area for seed, 2018/19 cane sugar production in Louisiana is increased by 4,021 STRV to 1.785 million. Projected imports from Mexico are reduced to 842,150 STRV and projected high-tier tariff imports are increased to 45,000 STRV. There are no changes to 2018/19 sugar use. Ending stocks for 2018/19 are projected at 1.687 million STRV for a stocks-to-use ratio of 13.5 percent.
- ***Sugar mills in Brazil's Centre/South crushed 43.306 mln tonnes of cane in the second half of August, up from 33.562 mln in the rain-affected first half of the month and also above 39.076 mln in the same period a year ago, Unica data showed.***
- ***Brazilian and Australian sugar industry groups have joined forces and are working together with their respective governments to prepare a formal complaint to the World Trade Organization (WTO) over any possible sugar export subsidy by India, Reuters reported. Brazil and Australia view any subsidy by India, set to take over as the world's largest sugar producer this year, as a grave threat to a recent price recovery.***

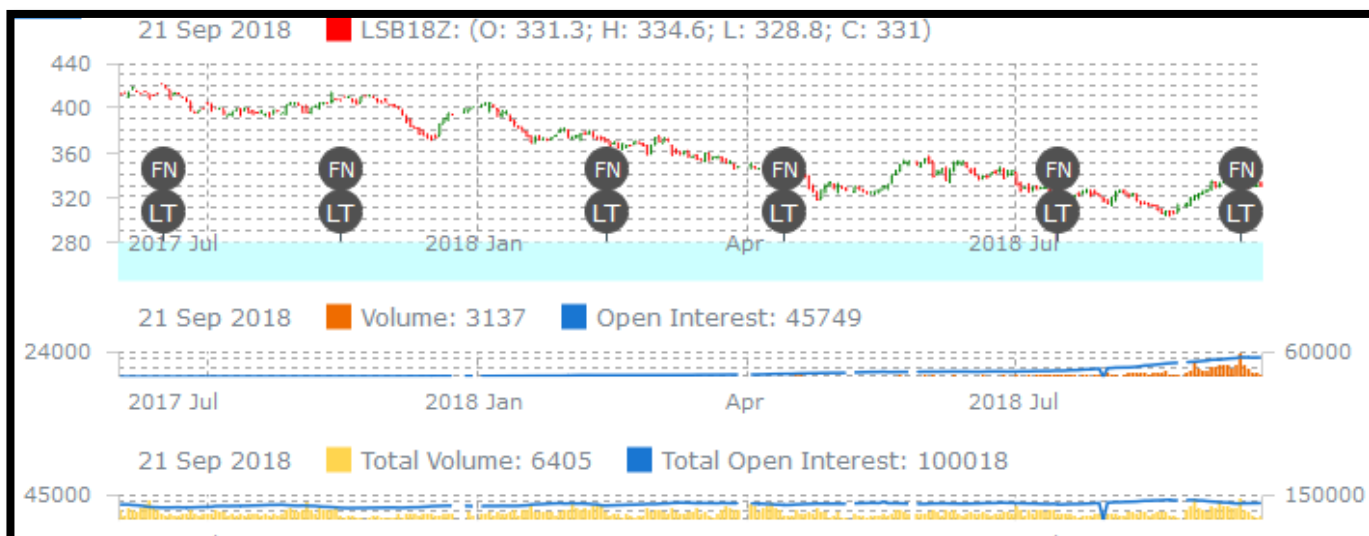
International Sugar Futures Price Projection

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

Technical Commentary

- LIFFE future market trends firm for the week.
- Last candlestick depicts bearishness in the market.
- Strategy: sell below 3335,T1 340

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Dec'18	331	300-340

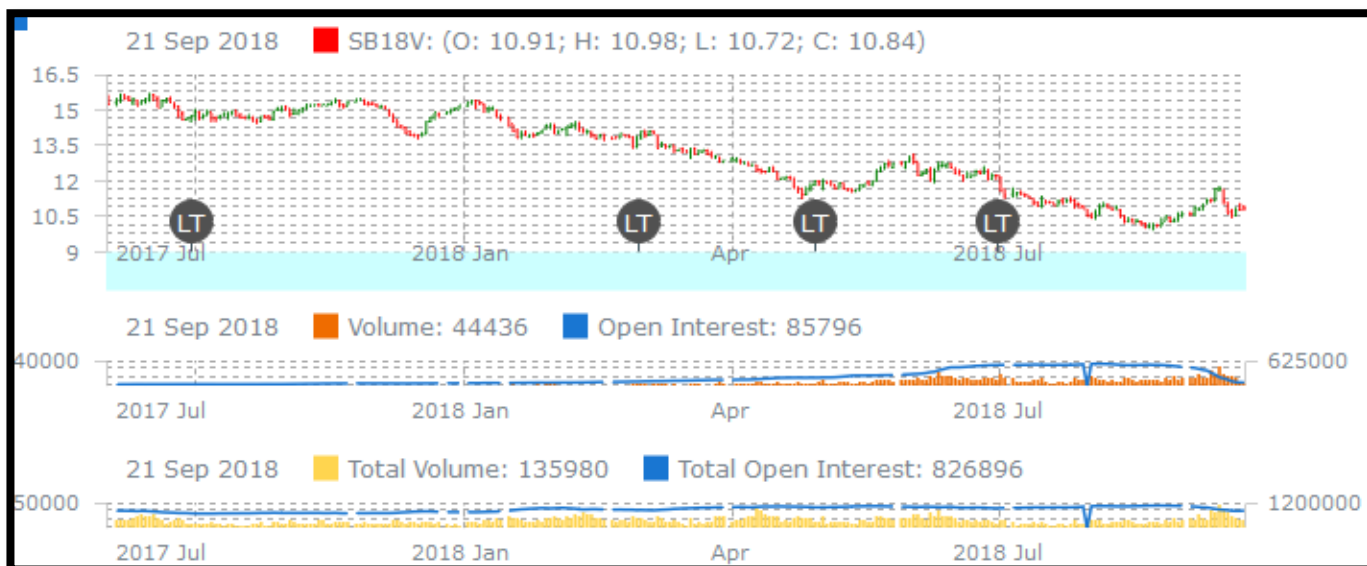


ICE (Raw Sugar Exchange) Future Market Scenario (Oct'18 Contract)

Technical Commentary:

- ICE raw sugar futures trend downward for the week.
- Last candlestick depicts bullishness in the market. Strategy: sell at 11.01-11.20. Targeting 13.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'18	10.84	10-13



Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			20-Sep-18	13-Sep-18	20-Aug-18	20-Sep-17
Delhi	Delhi	M-Grade	3180	2926	3180	3660
	Delhi	S-Grade	3160	2906	3160	3640
Uttar Pradesh	Khatauli	M-Grade	3380	3210	3300	3720
	Ramala	M-Grade	NA	0	NA	0
	Dhampur	M-Grade Ex-Mill	3150	3100	3200	3680
	Dhampur	S-Grade Ex-Mill	3130	3080	3180	3660
	Dhampur	L-Grade Ex-Mill	3200	3150	3250	3730
Maharashtra	Mumbai	M-Grade	3330	Closed	3460	3920
	Mumbai	S-Grade	3200	Closed	3230	3762
	Nagpur	M-Grade	Closed	Closed	3275	3775
	Nagpur	S-Grade	Closed	Closed	3175	3700
	Kolhapur	M-Grade	Closed	Closed	3150	3650
	Kolhapur	S-Grade	Closed	Closed	3050	3575
Assam	Guhawati	S-Grade	Closed	Closed	3360	3893
Meghalaya	Shillong	S-Grade	Closed	Closed	3370	3895
Andhra Pradesh	Vijayawada	M-Grade	3640	3540	3620	3993
	Vijayawada	S-Grade	3580	3480	3560	3933
West Bengal	Kolkata	M-Grade	3640	3560	3590	4120
Tamil Nadu	Chennai	S-Grade	3250	Closed	3500	3875
	Dindigul	M-Grade	3520	3560	3740	0
	Coimbatore	M-Grade	3620	3620	3680	0
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3450	3450	3600	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)			20-Sep-18	13-Sep-18	20-Aug-18	20-Sep-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	3250	0	NA	3450
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	0	NA	0
	Muzaffarnagar	Khurpa	NA	0	NA	NA
	Muzaffarnagar	Laddoo	NA	0	NA	NA
	Muzaffarnagar	Rascut	NA	0	2675	2850
	Hapur	Chaurasa	NA	0	Closed	NA
	Hapur	Balti	NA	0	Closed	NA
Andhra Pradesh	Chittur	Gold	3900	Closed	4100	0

		White	3400	Closed	4000	0
		Black	2600	Closed	2600	0
Maharashtra	Latur	Lal Variety	NR	0	NR	0
Karnataka	Bangalore	Mudde (Average)	4450	NA	4150	5150
	Belgaum	Mudde (Average)	NA	NA	3000	3500
	Belthangadi	Yellow (Average)	NA	0	NA	0
	Bijapur	Achhu	3000	NA	3100	NA
	Gulbarga	Other (Average)	3250	NA	3200	NA
	Mahalingapura	Penti (Average)	3063	NA	3204	NA
	Mandya	Achhu (Medium)	3150	NA	3350	3850
	Mandya	Kurikatu (Medium)	3050	NA	3000	3500
	Mandya	Other (Medium)	2950	NA	2950	3550
	Mandya	Yellow (Medium)	3100	NA	3300	3850
	Shimoga	Achhu (Average)	3850	NA	3950	4500

International Sugar Prices (Weekly)				
	Contract Month	20-Sep-18	13-Sep-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	10.80	11.68	-0.88
	19-Mar	11.62	12.45	-0.83
	19-May	11.76	12.56	-0.80
LIFFE Sugar (US \$/MT)	18-Oct	341.70	332.6	9.10
	18-Dec	330.20	350.6	-20.40
	19-Mar	332.50	350.5	-18.00

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