

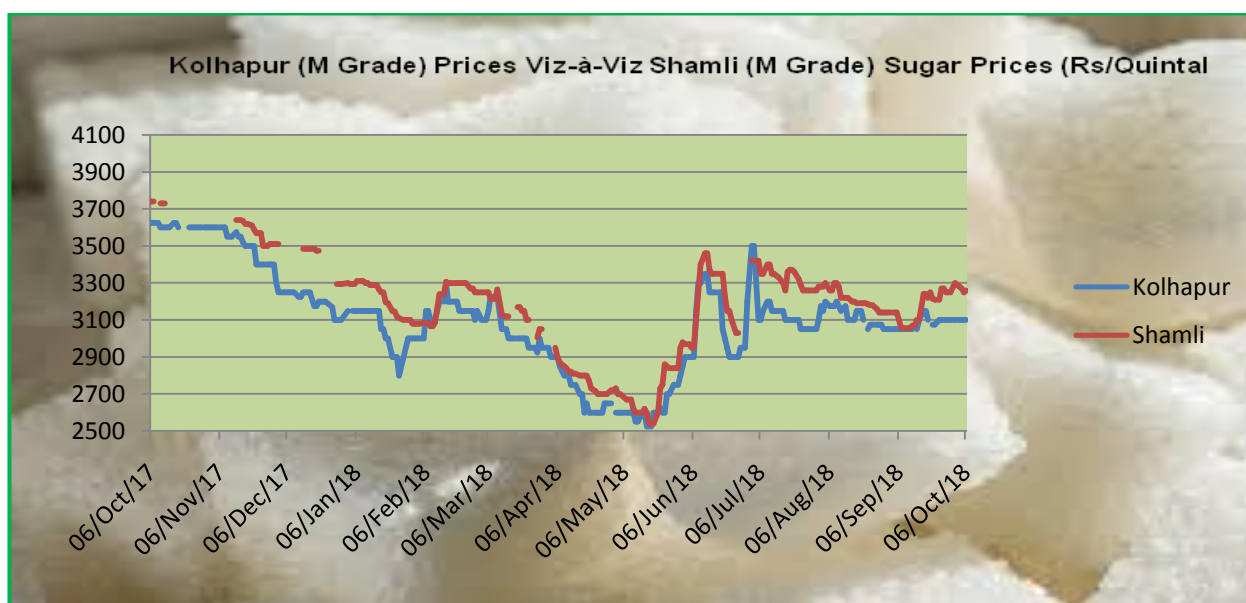
Sugar & Gur Weekly Research Report

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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 unchanged from the previous week; while spot sugar prices for the same grade in Shamli district is 3272 per quintal at the end of last week, gaining 45 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 20-50 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. And After announcement of the export incentives for sugar millers in the country, sugar prices in most of the markets were noticed firm last week.

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
After announcement of the export incentives for sugar millers in the country & Festive demand	Bearish
Higher cane acreage for 2018-19 & Agriwatch production estimated to	Bearish

<i>rise 35.5 mn tonnes in 2018-19</i>	
<i>Tightening of restriction on monthly sales</i>	Bullish
<i>MSP at Mill gate fixed at Rs 2900/ Qtl for refined Sugar</i>	Bullish
<i>Announcement for creation of 3 mn tonnes of buffer stock</i>	Bullish

Domestic Market Highlights

Recent Updates:

- **The cabinet has approved more incentives to encourage cash-strapped mills to export sugar in the 2018/19 season to trim bulging domestic stockpiles.** However, the Indian sugar mills may be able to export only 3 million tonnes (mt) of sugar and not 5 mt as stipulated by the government, since the international prices of the sweetener is expected to remain weak during the season that has just commenced on account of expected bumper production in Thailand and the European Union. The price on the domestic National Commodity Exchange (NCDEX) is significantly higher at Rs 3,100/quintal. Thus sugar-mills are unlikely to find the export option attractive even after the newly announced incentive.
- **Drought-like conditions delayed sugarcane planting in Maharashtra and other parts of peninsular India that will substantially reduce 2019-20 sugar production of India** and help ease pressure on global sugar prices as India begins export of surplus in a couple of years. World sugar prices are under pressure as India will begin export of its surplus sugar production. For 2018-19 sugar year from October to September, Maharashtra government has already reduced the production estimate from 10.5 million tonnes to 10 million tonnes.
- **Ample stocks amidst reduced offtake is keeping the sugar prices in India at a decade low. ISMA has pegged India's 2018-19 sugar production at a record 35-35.5 mn tonnes, against the 2017-18 production estimate of 32.25 mn tonnes & 20.3 mn tonnes in 2016-17.** The closing stock at the of 2017-18 sugar season is likely to be 10 mn tonnes, more than double the stock of 3.87 mn tonnes last year.

Previous Updates

- **The 1st advance estimate of production of sugarcane for 2018-19 have been released by the Department of Agriculture, Cooperation and Farmers Welfare on 26th September, 2018.** The Production of Sugarcane is estimated at 383.89 million tonnes which is higher by 6.99 million tonnes than the last years production of 376.90 million tonnes. Further, it is higher by 41.85 million tonnes than the average production of last five years.
- **The Union government on last week announced a Rs 5,500 crore package for the sugar industry, including over two-fold jump in production aid to cane growers and transport subsidy to mills for exports.** The Centre will provide assistance to mills by compensating expenditure towards internal transport, freight, handling and other charges to facilitate 5 million tonnes (MT) export during the 2018-19 (October-September).

- **A transport subsidy of Rs 1,000 per tonne will be given for mills located within 100 kms from the ports, Rs 2,500 per tonne for mills located beyond 100 kms from the port in the coastal states and Rs 3,000 per tonne for mills located in other than coastal states or actual expenditure, whichever is lower.**
- **Uttar Pradesh's (UP) chief minister Yogi Adityanath set November 30 as the deadline for private sugar millers to settle cane dues of INR86.83 billion for the 2017/18 crushing season, according to local press reports**

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 3300 and Rs 3000 per quintal respectively.**
- **Relative Strengths Indicator is indicating upward movement.**



Technical Analysis - Chaku Sukha-gur(Cold))at Spot (Muzaffarnagar) market.

Gur Market Scenario

- **Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 3400/quintal this week**
- **Next resistance and support level for the coming month has been seen at Rs 3600 and Rs 3100 per quintal**



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	98.09	122.95	256.03	223.81
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	198.75	310.73	302.51	243.89
E	Exports	0.46	3	3	0	1	1	1
F	Availability for domestic consumption (D - E)	283.85	358.09	450.09	198.75	309.73	301.51	242.89
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	187.09	122.95	256.03	223.81	187.09

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

- **World Sugarcane production is forecast to decline 4% to 130 million tonnes in 2018-19, due to reduced average yields after less rain fell than expected in major growing areas, according to an attache report published in the USDA.** Sugar production for the same period is expected to decrease 6% from a record 14.7 million tonnes in 2017-18 to 13.8 million tonnes. The USDA attache in Thailand said in the Sept 27 report that during the first half of 2018, sugar consumption was at 1.3 million tonnes, 6% lower than the same period last year. As the third-largest producer of sugar after Brazil and India, Thailand joined the growing list of regions implementing taxes on sweetened beverages in 2017, in an effort to reduce

consumption of sugary drinks, for 2017-18, sugar exports are forecast to reach a record 10.5 million tonnes after stronger-than-expected sugarcane production led to lower raw sugar prices.

- **World sugar futures continued to climb higher but at a slower pace.** Firmer raw and white sugar markets this week challenged ideas that prices might be about to embark on yet another downturn under pressure from an influx of subsidised Indian supplies.

Previous Updates

- **Russia's sugar beet crop begins to approach its halfway mark of completion, while Belarus reaches its quarter mark, local ministries indicate.** Russian farmers harvested sugar beet from 467,900 ha as of September 27, or 42.2% of the area sown, according to the Ministry of Agriculture.
- **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).
- **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.

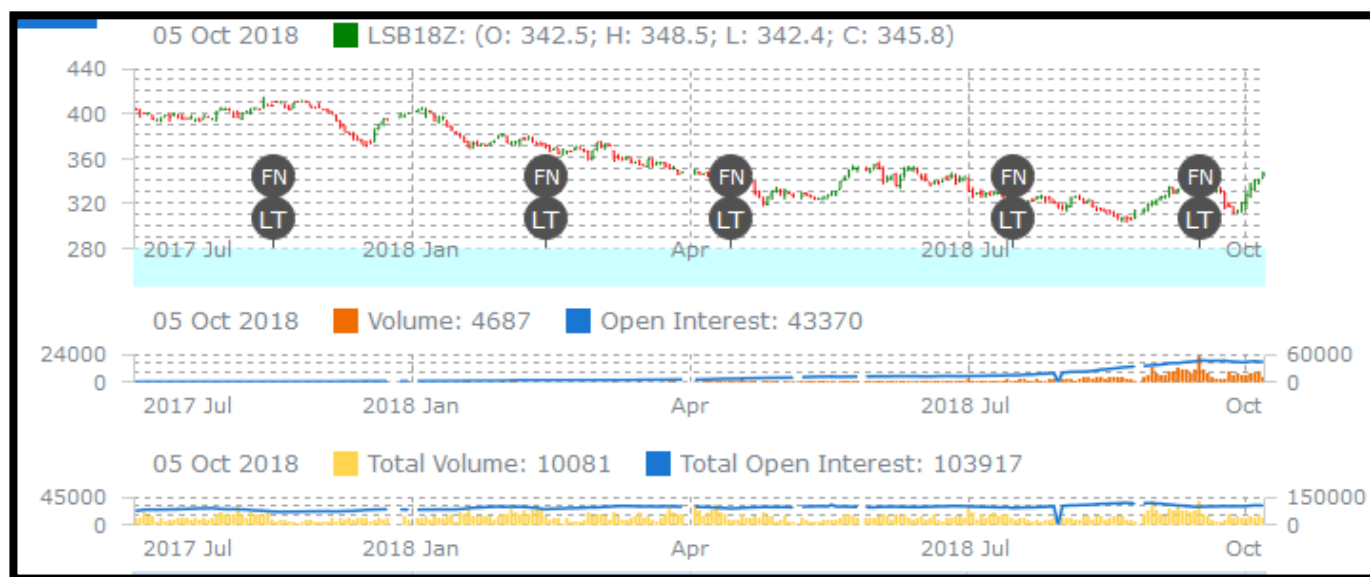
International Sugar Futures Price Projection

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

Technical Commentary

- LIFFE future market trends firm for the week.
- Last candlestick depicts bullishness in the market.
- Strategy: sell below 351,T1 355

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Dec'18	345	340-355

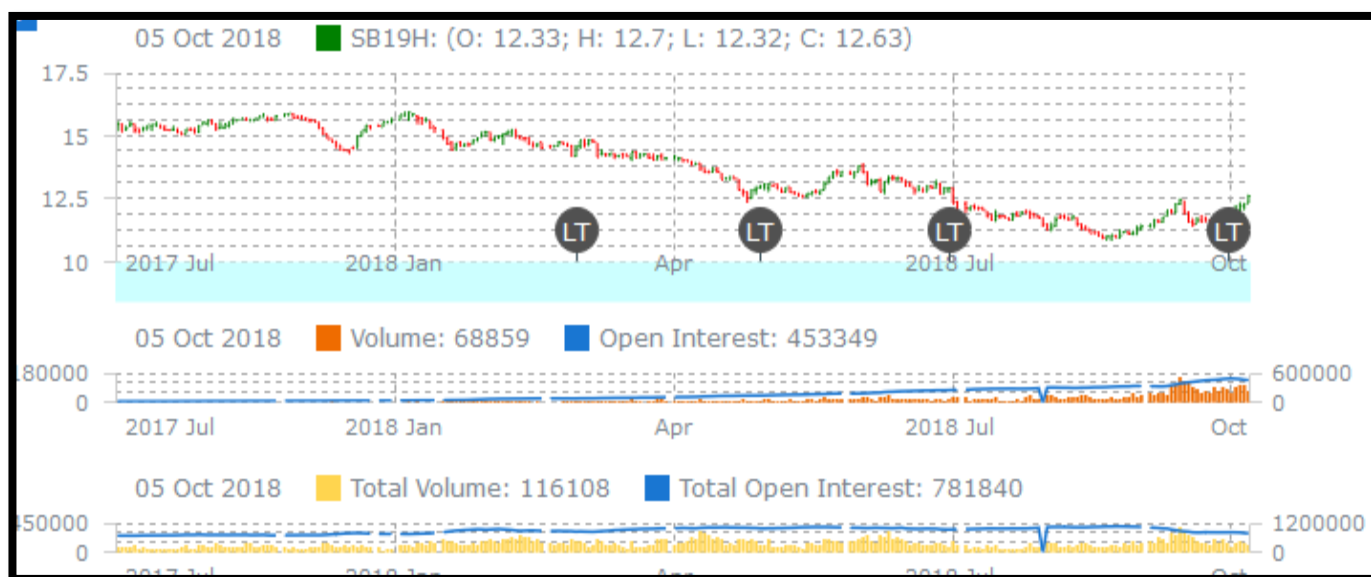


ICE (Raw Sugar Exchange) Future Market Scenario (Oct'18 Contract)

Technical Commentary:

- ICE raw sugar futures trend Upward for the week.
- Last candlestick depicts bullishness in the market. Strategy: sell at 12.70 Targeting 14.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'18	12.63	12-14



Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			04-Oct-18	27-Sep-18	04-Sep-18	04-Oct-17
Delhi	Delhi	M-Grade	3163	3040	3165	3781
	Delhi	S-Grade	3143	3020	3145	3761
Uttar Pradesh	Khatauli	M-Grade	3450	3400	3250	3820
	Ramala	M-Grade	NA	0	0	0
	Dhampur	M-Grade Ex-Mill	3270	3200	3150	3700
	Dhampur	S-Grade Ex-Mill	3250	3180	3130	3680
	Dhampur	L-Grade Ex-Mill	3320	3250	3200	3750
Maharashtra	Mumbai	M-Grade	3360	3316	3416	3900
	Mumbai	S-Grade	3220	3216	3186	3746
	Nagpur	M-Grade	3225	3225	3150	3775
	Nagpur	S-Grade	3125	3125	3050	3655
	Kolhapur	M-Grade	3100	3100	3025	3650
	Kolhapur	S-Grade	3000	3000	2925	3530
Assam	Guhawati	S-Grade	3309	3309	3233	3847
Meghalaya	Shillong	S-Grade	3320	3320	3245	3850
Andhra Pradesh	Vijayawada	M-Grade	3600	3600	3600	3993
	Vijayawada	S-Grade	3540	3540	3540	3933
West Bengal	Kolkata	M-Grade	3560	3640	3550	NA
Tamil Nadu	Chennai	S-Grade	3325	3225	3300	3800
	Dindigul	M-Grade	3530	3520	3610	0
	Coimbatore	M-Grade	3620	3620	3680	0
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3450	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)			04-Oct-18	27-Sep-18	04-Sep-18	04-Oct-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	3425	3375	0	3600
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	0	0	0
	Muzaffarnagar	Khurpa	NA	0	0	3413
	Muzaffarnagar	Laddoo	NA	0	0	3778
	Muzaffarnagar	Rascut	NA	0	2825	2850
	Hapur	Chaurasa	NA	0	0	3150
	Hapur	Balti	NA	0	0	3200
Andhra Pradesh	Chittur	Gold	3850	4050	4100	0
		White	3100	4000	3950	0
		Black	2500	2900	2550	0
Maharashtra	Latur	Lal Variety	NR	0	0	0
Karnataka	Bangalore	Mudde (Average)	4250	4450	4150	5200
	Belgaum	Mudde (Average)	2800	3100	NA	3700
	Belthangadi	Yellow (Average)	NA	0	0	0
	Bijapur	Achhu	3000	3000	3100	NA
	Gulbarga	Other (Average)	3050	3150	3400	3650
	Mahalingapura	Penti (Average)	3107	3039	3168	3650
	Mandya	Achhu (Medium)	3050	3050	3150	4000
	Mandya	Kurikatu (Medium)	3000	3000	3000	3700
	Mandya	Other (Medium)	2900	2950	2950	3550
	Mandya	Yellow (Medium)	3100	3000	3200	4000
	Shimoga	Achhu (Average)	3450	3550	4000	4450

International Sugar Prices (Weekly)				
	Contract Month	04-Oct-18	23-Aug-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	13.10	10.05	3.05
	19-Mar	12.63	10.91	1.72
	19-May	12.75	11.02	1.73
LIFFE Sugar (US \$/MT)	18-Oct	362.00	325	37.00
	18-Dec	345.80	313	32.80
	19-Mar	349.50	314.3	35.20

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