

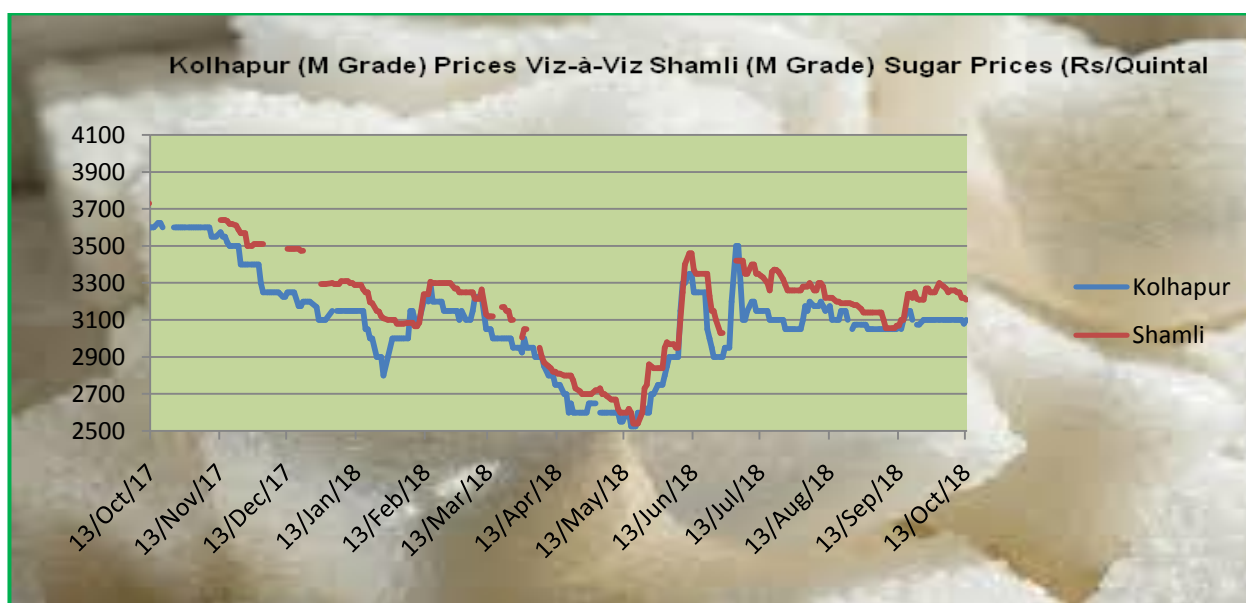
Sugar & Gur Weekly Research Report

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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 3235 per quintal at the end of last week, declined 37 rupees per quintal against previous week's average price.



Price Outlook:

- Wholesale sugar prices were unchanged from previous week. Spot sugar prices are supportive in the month ahead as festive demand market is expected to get supplied with excessive sugar with the onset of crushing season in India. This was despite trade expectations that the release quota of 2.2 million tonnes for Oct 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 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	Bullish
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:

- **Wholesale sugar prices were unchanged from previous week.** Spot sugar prices are supportive in the month ahead as festive demand market is expected to get supplied with excessive sugar with the onset of crushing season in India. This was despite trade expectations that the release quota of 2.2 million tonnes for Oct was lower than probable demand.
- **According to trade sources, Indian sugar mills have signed deals to export raw sugar for the first time in three years as a rally in New York prices to seven-month highs** along with government subsidies made exports lucrative. Mills have contracted to export 150,000 tonnes raw sugar at around \$280 per tonne on a free-on-board (FOB) basis for shipment in November-December.
- **In March, India asked mills to export 2 million tonnes of sugar and fixed a mandatory export quota for each mill.** But mills managed to export only around 450,000 tonnes in the 2017/18 marketing year that ended on Sept.30 due to uncompetitive prices. Apart from raw sugar, mills have contracted to export 100,000 tonnes of white sugar at around \$305 per tonne, FOB, for shipment in October-December, three dealers said.
- **Sugar mills will get subsidy up to Rs 11/kg of sugar exported, including production assistance of Rs 1,388/tonnes for growers and transport subsidy of up to Rs 3,000/ tonnes for sugar exports.** India has produced 322.5 lakh tonnes of sugar in 2017-18, and private industry body Indian Sugar Mills Association (ISMA) has estimated a production of 355 lakh tonnes in 2018-19. The country has a carry forward stock of 100 lakh tonnes in 2018-19.
- **Maharashtra's area under sugarcane increased 25% over previous year, reaching 11.42 lakh hectares.** Due to less rainfall, farmers will prefer to keep the ratoon crop. Thus, the share of ratoon crop will be much higher than that of the new plantation next year. As output of the ratoon crop is lesser than the newly planted crop, it will pull down the overall sugarcane production. Incidence of white grub has affected an estimated 20,000 hectares and agronomists have advised farmers to not retain ratoon of such crop.

Previous 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.
- **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).

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 3325/quintal this week
- Next resistance and support level for the coming month has been seen at Rs 3500 and Rs 3200 per quintal


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	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 - G)	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

- **Raw sugar futures in New York ended weaker for the first time in ten sessions as the market was pressured by a weaker Brazilian currency.** Sugarcane crushing in Brazil's Centre/South (CS) fell to 27.643 million tonnes in the second half of September, the lowest in eight years for this period and down from 38.511 mln in the first half, Unica data showed.
- **The world sugar market could see a shortfall in 2019/20 after two years of over-supply as Brazil and the European Union cut production,** but strong Indian output will still weigh on the market, ADM Investor Services International said on last week. The market could swing to a deficit of roughly 2 million tonnes in the 2019/2020 season, from an expected surplus of 4-5 million tonnes in the current 2018/19 season.
- **U.S. sugar supply for 2017/18 is decreased by 58,022 short tons, raw value (STRV). The decrease reflects a reduction in estimated Louisiana cane sugar production for the month of September 2018 and a net reduction in imports.** Imports under tariff-rate quotas (TRQs) are reduced by 62,527 STRV but are partially offset by a 10,000 -STRV increase in high- tier tariff imports and a 1,404-STRV increase in re-export imports. U.S. sugar supply for 2018/19 is reduced by 99,496 STRV. The reduction reflects lower beginning stocks and lower production partially offset by a shift in free trade agreement 2018 calendar year TRQ imports from the third quarter of 2018 to the fourth quarter. Beet sugar production for 2018/19 is reduced 106,719 STRV on a lower sugarbeet production forecast by NASS. Cane sugar production in Louisiana is increased by 40,724 STRV on NASS increases for both sugarcane area and yield forecasts.
- **Mexico sugar exports for 2017/18 are estimated at 1.147 million metric tons (MT), a reduction of 60,116 from last month. Exports are comprised of 1.086 million MT to the United States under export licenses and of combined exports of 60,796 MT to non-U.S. destinations and to the U.S. re-export import program.** Ending stocks are residually estimated at 1.328 million MT of which 350,358 are required to be exported in 2018/19 before December 31 per provisions administered by the Fideicomiso Maestro para la Exportación de Excedentes de los Ingenios (FIMAE). Mexico sugar exports for 2018/19 are projected to increase 86,207 MT reflecting supplies reported by CONADESUCA under FIMAE provisions.
- **Australian Sugar mills crushed 1.406 million tonnes of cane in the week to October 7,** up from 1.361 mln in the same period last year, Australian Sugar Milling Council (ASMC) data showed.

Previous 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.
- **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.

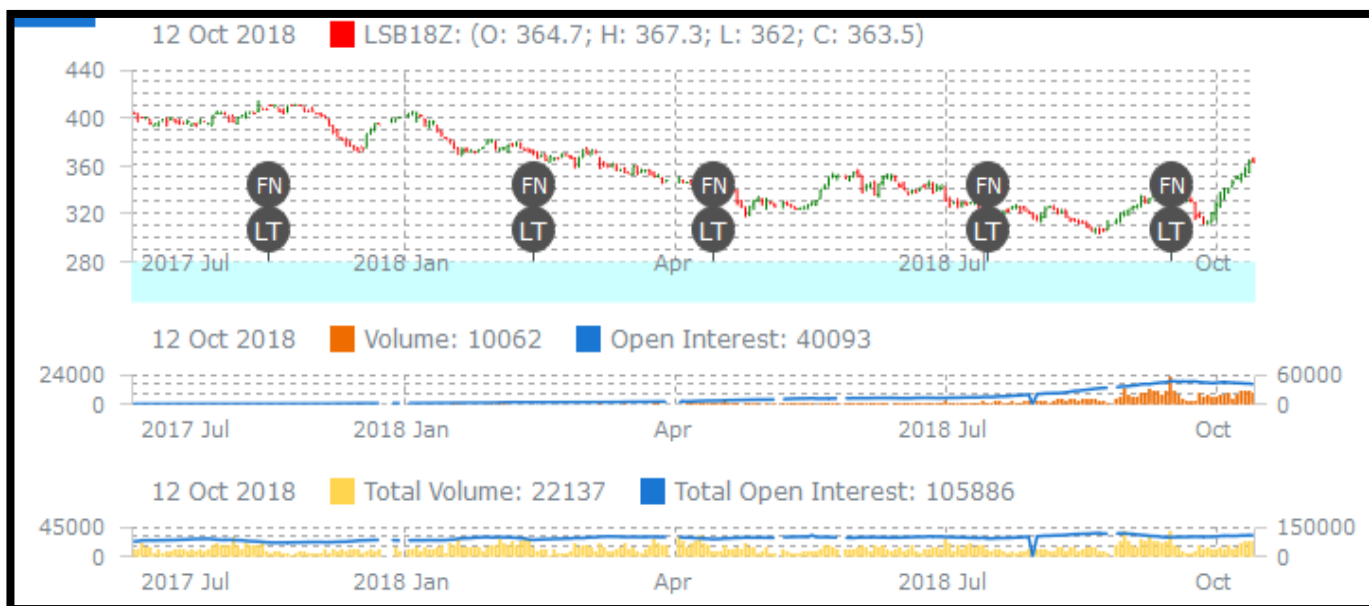
International Sugar Futures Price Projection

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 365,T1 370

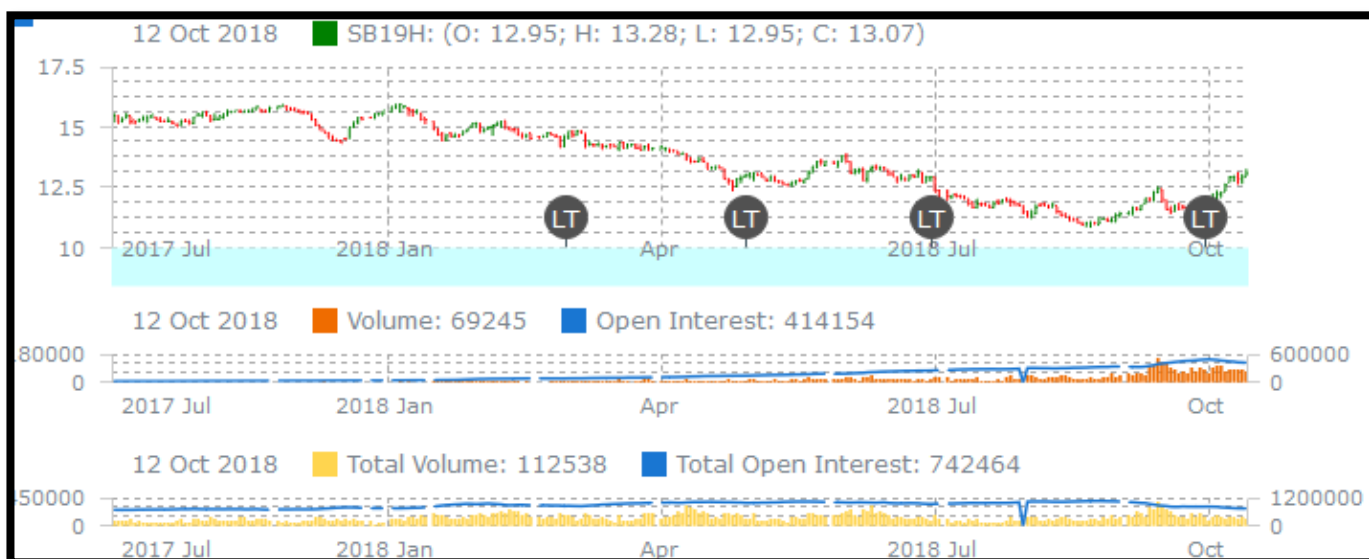
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next month
LIFFE Sugar (US \$/MT)	Dec'18	363	355-370



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 13.50 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	13.07	12-14



Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			11-Oct-18	04-Oct-18	11-Oct-18	11-Oct-17
Delhi	Delhi	M-Grade	3275	3163	3275	3771
	Delhi	S-Grade	3255	3143	3255	3751
Uttar Pradesh	Khatauli	M-Grade	3425	3450	3425	3815
	Ramala	M-Grade	NA	NA	NA	0
	Dhampur	M-Grade Ex-Mill	3260	3270	3260	3720
	Dhampur	S-Grade Ex-Mill	3240	3250	3240	3700
	Dhampur	L-Grade Ex-Mill	3310	3320	3310	3770
Maharashtra	Mumbai	M-Grade	3380	3360	3380	3922
	Mumbai	S-Grade	3196	3220	3196	3762
	Nagpur	M-Grade	3225	3225	3225	3725
	Nagpur	S-Grade	3125	3125	3125	3625
	Kolhapur	M-Grade	3100	3100	3100	3600
	Kolhapur	S-Grade	3000	3000	3000	3500
Assam	Guhawati	S-Grade	3309	3309	3309	3816
Meghalaya	Shillong	S-Grade	3320	3320	3320	3820
Andhra Pradesh	Vijayawada	M-Grade	3600	3600	3600	3993
	Vijayawada	S-Grade	3540	3540	3540	3933
West Bengal	Kolkata	M-Grade	3600	3560	3600	4170
Tamil Nadu	Chennai	S-Grade	3250	3325	3250	3800
	Dindigul	M-Grade	3600	3530	3600	0
	Coimbatore	M-Grade	3580	3620	3580	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)			11-Oct-18	04-Oct-18	11-Oct-18	11-Oct-17
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	3350	3425	NA	3975
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	NA	NA	0
	Muzaffarnagar	Khurpa	NA	NA	NA	3563
	Muzaffarnagar	Laddoo	NA	NA	NA	3813
	Muzaffarnagar	Rascut	NA	NA	NA	2578
	Hapur	Chaurasa	NA	NA	NA	3125
	Hapur	Balti	NA	NA	NA	3125
Andhra Pradesh	Chittur	Gold	4050	3850	4050	0

		White	3150	3100	3150	0
		Black	2450	2500	2450	0
Maharashtra	Latur	Lal Variety	NR	0	NR	0
Karnataka	Bangalore	Mudde (Average)	4250	4250	4250	5200
	Belgaum	Mudde (Average)	3100	2800	3100	3800
	Belthangadi	Yellow (Average)	NA	NA	NA	0
	Bijapur	Achhu	3000	3000	3000	NA
	Gulbarga	Other (Average)	3250	3050	3250	3660
	Mahalingapura	Penti (Average)	3131	3107	3131	4208
	Mandya	Achhu (Medium)	3200	3050	3200	4250
	Mandya	Kurikatu (Medium)	3000	3000	3000	4000
	Mandya	Other (Medium)	3000	2900	3000	3900
	Mandya	Yellow (Medium)	3150	3100	3150	4200
	Shimoga	Achhu (Average)	3450	3450	3450	4450

International Sugar Prices (Weekly)				
	Contract Month	11-Oct-18	04-Oct-18	Change
ICE Sugar #11 (US Cent/lb)	18-Oct	13.41	13.1	0.31
	19-Mar	12.92	12.63	0.29
	19-May	13.06	12.75	0.31
LIFFE Sugar (US \$/MT)	18-Oct	369.00	362	7.00
	18-Dec	362.90	345.8	17.10
	19-Mar	361.30	349.5	11.80

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