Price Outlook:

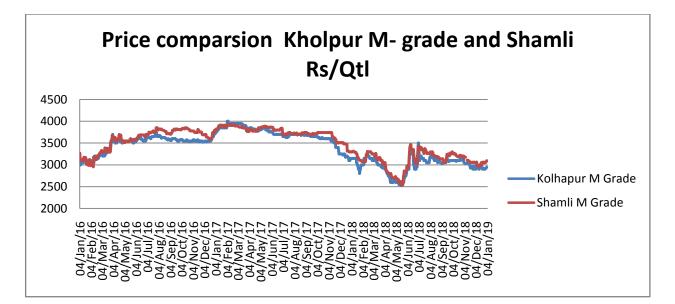
Indian Sugar market witnessed a mixed trend during last week. On hopes of increase in floor price which is currently at Rs 2,900 per quintal. We expect sugar prices may trade down on good physical supplies from mills are continuing in the physical market due to imposed stock limit on mills. Prices are supportive after Jan due to the expectation of weak cane crush this season in the key producing states of UP, Maharashtra and Karnataka. The release quota for January month of 18.50 LMT little lower then December month, since UP and Maharashtra states demanding extra sales quota , due to the low sales quota, mills are unable to sell their sugar and repay the farmers on time.

Price Projection for the Next week

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.

Domestic Sugar Market Summary

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 2918 per quintal last week gaining INR 03 from the previous week; while spot sugar prices for the same grade in Shamli district is 3062 per quintal at the end of last month, gaining 02 INR against previous week's average price.



Fundamental summary:

Price Drivers	Impact
Sugar production during the current 2018-19 SS is estimated to be lower considering the adverse impact of weather and rainfall in the three largest sugarcane producing States.	Bullish
After announcement of the export incentives for sugar millers in the country &Festive demand	Bullish
Higher cane acreage for 2018-19	Bearish

Sugar & Gur Weekly Research Report 07. Jan, 2019

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

Recent Updates:

Domestic Market Highlights

- Sugar prices at Vashi gained by Rs 10-20 on Friday on increased demand at the mill level led by strong rumours that the government may increase minimum support rates for mills, currently at Rs 2,900 per quintal.
- India's sugar production till December 31, 2018 is up by 6.7% y-o-y. As on 31st December, 2018, 501 sugar mills were in operation in the country and have produced 110.52 lakh tonnes of sugar, as compared to 103.56 lakh tonnes produced by 505 sugar mills as on 31st December 2017. The slightly higher production of 6.96 lakh tonnes is because Maharashtra and Karnataka sugar mills started their crushing earlier this year. However, due to substantially lower rainfall and white grub infestation, Maharashtra will produce significantly lower quantity this year as compared to last year. Overall, the country is expected to produce 320 lakh tonnes of sugar this season as compared to 322 lakh tonnes of last year.
- According to the order issued by the Ministry of Consumer and Food, subsidy on buffer stock will
 not be provided to the sugar mills which have failed to export mandatory exports. In the past year,
 the government decided to make 3 million tonnes of buffer stock to stop falling prices of sugar. The
 Cabinet had approved the provision of Rs 11.75 billion for buffer stock of 30 lakh tonnes for one year. But
 now the government has laid down the mandatory export ban to provide subsidy on sugar storage.
- The total export of October-December, 2018 quarter is only 2.6 lakh tonnes, while the average target is 12.5 lakh tonnes in the quarter. Recently, the government gave a warning to Mills in this case. Most of the weakest exports in UP are sugar mills, which the government was providing transportation subsidy on exports. In spite of this, the provinces of the province could not fulfill the goal of sending another country to China.

Previous Updates

• Sugar prices have fallen and are hovering in the range of fixed price of Rs 2,900 per quintal. Moreover there is little demand for sugar and it is binding on millers to make payments to farmers. The UP and MH sate sugar millers have decided to approach government once again with a plea to urge the Centre to intervene and increase the minimum floor price of sugar from the existing Rs 2,900 per quintal to Rs 3,250/3,400 per quintal to overcome the current financial distress.

Sugar & Gur Weekly Research Report 07. Jan, 2019

- The government is considering an additional soft loan of Rs 7,400 crore to sugar mills for creating ethanol capacity under a recently launched scheme, according to sources. The food ministry is also considering tweaking the scheme to ensure that non-molasses-based distilleries are also able to avail soft loans under the scheme launched in June for expansion and setting up of new ethanol plants. Under the scheme, the government had announced a soft loan of Rs 4,400 crore and provided an interest subvention of Rs 1,332 crore to mills over a period of five years, including a moratorium period of one year. However, the ministry has received 282 applications seeking Rs 13,400 crore soft loans. Out of this, 114 applications for a loan amount of Rs 6,000 crore has been approved, the sources said.
- Sugar production has increased by 2.1 per cent to 7.05 million tonnes till December 15 of the current marketing year. Mills had produced 6.9 million tonnes of sugar in the same period of 2017-18 marketing year. India is likely to produce 31.5 million tonnes of sugar in 2018-19 marketing year, slightly lower than 32.5 million tonnes last year, according to ISMA forecast. Sugar consumption is estimated at 26 million tonnes in 2018-19.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 2918quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3100 and Rs 2900 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



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

Gur Market Scenario

• Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2514/quintal this week

Sugar & Gur Weekly Research Report 07. Jan, 2019





 Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 2500 per quintal respectively.

Domestic Sugar Market Technical Analysis (Future Market)

Commodity: Sugar Contract: Sugar 1 M Con (Dec) Exchange: NCDEX



Strategy: Wait								
Intraday Supports	S2	\$1	РСР	R1	R2			
Sugar	NCDEX	Dec	2850	2900	2989	3200	3250	
Intraday Trade Cal	Intraday Trade Call		Call	Entry	T1	T2	SL	
Sugar	NCDEX	Dec	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

SUGAR BALNCE SHEET 2018-19(LT)	2016-17	2017-18	2018-19	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	77	34.1	67.95	67.95	87.35	183.85	143.57
Estimated sugar production	202.85	321	320	98.2	160.2	44.42	17.18
Imports	4.46	2.85	0	0	0	0	0
Estimated sugar availability (A + B + C)	284.31	357.95	387.95	166.15	247.55	228.27	160.75
Exports	4.6	30	30	3	10	7	10
Availability for domestic consumption (D - E)	279.71	327.95	357.95	163.15	237.55	221.27	150.75
Estimates sugar consumption	245.61	260	263	75.8	53.7	77.7	55.8
Carry out stock (F - G)	34.1	67.95	94.95	87.35	183.85	143.57	94.95

Source: Agriwatch and ISMA

- Note: Indian sugar marketing year begins from October September.
- As per the Agriwatch latest estimate, India's sugar production is expected to be 320 LT in 2018/19 then 321 last year. A couple of major cane growing regions of Maharashtra, including Marthawada, had poor rainfall this season. And mild white grub infestation has been reported in States of Karnataka and few parts of Maharashtra. Apart from from that, cane yield and sugar recovery are expected to decline in Uttar Pradesh due to water logging in the fields.
- 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 30 LT in 2018-19

International Market Highlights

Recent Updates:

 March NY world sugar #11 (SBH19) on Friday closed up +0.24 (+2.05%) and March ICE London white sugar (SWH19) closed up by +6.80 (+2.10%). A rally in crude oil prices to a 2-week high Friday gave sugar prices a boost since higher crude oil prices benefit ethanol prices, which may prompt Brazil's sugar producers to divert more cane crushing to ethanol production than sugar, thus reducing sugar supplies. Sugar prices were also supported Friday by the rally in the Brazilian real to a 2-month high against the dollar, which discourages exports by Brazil's sugar producers.

- Mexico produced 225,000 tonnes of sugar, tel quel, in the week to December 29, up from 221,000 in the corresponding week last year, official data showed.
- As crushing operations slowed down for the New Year celebrations, the country's sugar mills had processed 29.1 mln tonnes of cane against 20.1 mln in the same period a year ago.
- Sugar exports in December amounted to 1.634 mln tonnes, raw value, down from 1.934 mln in November and also below the 1.937 mln seen in December 2017.
- New York closed a little lower during the month. March futures are now near some support at about 1200. London was lower as well. Sugar was hurt by the weakness in petroleum futures that have hurt demand ideas. Brazil has been using a majority of its Sugarcane harvest to produce ethanol this year instead of Sugar, and there is some talk the mills might switch back to Sugar unless petroleum prices improve soon. Dry conditions continue in Brazil, the EU, and Russia, but conditions are mostly good in Ukraine. Very good conditions are reported in Thailand.

Previous Updates

- March NY world sugar #11 (SBH19) on Friday closed up +0.14 (+1.14%) and March ICE London white sugar (SWH19) closed up by +3.10 (+0.92%). Sugar prices recovered from 2-3/4 month lows Friday and closed higher after crude oil prices rallied, which is positive for ethanol and sugar on the prospects for Brazil's sugar producers to divert more sugar cane crushing toward ethanol production than sugar production, thus cutting global sugar supplies. Sugar prices posted 2-3/4 month lows early Friday after Petrobras cut its wholesale Brazil gasoline price for a second time this week, which is negative for ethanol prices.
- According to ratings agency Icra Ltd, sugar production in India is expected to decline by around 2% to 31.5 million tonnes (mt) in the current season. Even so, the sugar surplus scenario is likely to continue as the industry is carrying sizeable inventories. Even after accounting for exports aided by the government, the industry is likely to hold 11.3–12.3 mt of stock, which is equivalent to 5.3 months of domestic consumption. This is the highest in recent years
- Sugar mills in Brazil's Centre/South (CS) crushed 12.6 mln tonnes of sugarcane in the first half of December, bringing the total crush since the official start on April 1 to 556.851 mln tonnes, down 4.1% from 580.684 mln crushed by the same time in 2017/18, Unica reported in its press conference for the 2018/19 harvest. Thailand's 2018/19 cane crush continues to ramp up with daily crushing volumes exceeding 1 mln tonnes in mid-December.
- Sugar mills in Brazil's Centre/South (CS) crushed 12.6 mln tonnes of sugarcane in the first half of December, bringing the total crush since the official start on April 1 to 556.851 mln tonnes, down 4.1%

from 580.684 mln crushed by the same time in 2017/18, Unica reported in its press conference for the 2018/19 harvest. Thailand's 2018/19 cane crush continues to ramp up with daily crushing volumes exceeding 1 mln tonnes in mid-December.

International Sugar Market Summary:

March NY world sugar #11 (SBH19) on Friday closed up +0.24 (+2.05%) and March ICE London white sugar (SWH19) closed up by +6.80 (+2.10%). A rally in crude oil prices to a 2-week high Friday gave sugar prices a boost since higher crude oil prices benefit ethanol prices, which may prompt Brazil's sugar producers to divert more cane crushing to ethanol production than sugar, thus reducing sugar supplies. Sugar prices were also supported Friday by the rally in the Brazilian real to a 2-month high against the dollar, which discourages exports by Brazil's sugar producers. Sugar prices on Thursday fell to a 3-month low on speculation that Brazil's sugar output may increase after President-elect Bolsonaro on Wednesday stripped Brazil's National Indian Foundation of the power to create new indigenous land reserves, which may open up more rural lands to be farmed for sugar cane.

Bullish and Bearish factors for International sugar:

Factors	Impact
Brazil 2018/19 ethanol production estimate to a record 32.2 bln liters (+18.6% y/y), citing the action by Brazil's sugar millers to divert less cane juice to produce sugar.	Bullish
ISO's forecast that global 2018/19 sugar production will rise +0.6% y/y to a record 185.2 MMT and that there will be a 2018/19 sugar surplus of 2.2 MMT (vs 2017/18's 7.3 MMT),.	Bearish
Concern about smaller global production after Unica forecasted that Brazil's Center South 2018/19 sugar production will fall -28% y/y to 26 MMT	Bullish
USDA's FAS forecast for 2018/19 sugar production in India, the world's second-largest sugar producer, to climb +5.2% y/y to a record 35.87 MMT,	Bearish
The recent plunge in crude oil prices to a 17-month low, which is negative for ethanol prices and may prompt Brazil's sugar mills to divert less cane to making ethanol,	Bearish

International Sugar Futures Price Projection

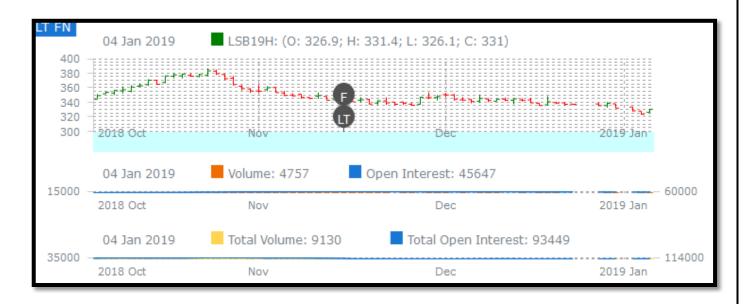
LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Mar 19 Contract)

Technical Commentary

- LIFFE future market trends firm for the week.
- Last candlestick of the month depicts bearishness in the market.
- Strategy: sell below 345,T1 340

International Sugar Futures Price Projection							
Contract Month		Present Quote	Expected Price level for next week				
LIFFE Sugar (US \$/MT)	Mar'19	331	330-340				

AW



ICE (Raw Sugar Exchange) Future Market Scenario (Mar'19 Contract) Technical Commentary:

- ICE raw sugar futures trend upward for the week.
- Last candlestick of the month depicts bearishness in the market. Strategy: sell at 12.00 Targeting 14.

International Sugar Futures Price Projection							
	Contract Month	Present Quote	Expected Price level for next week				
ICE Sugar #11 (US Cent/lb)	Mar'19	11.93	11-14				



Sugar & Gur Weekly Research Report 07. Jan, 2019

Commodity			Average Pr	Average Prices (Rs/Qtl)		
Sugar	Centre	Variety	28th to 03th Jan 2019	21th to 27th Dec 2018	Change	
Delhi	Delhi	M-Grade	3001	2985	16	
Denn	Delhi	S-Grade	2981	2965	16	
	Khatauli	M-Grade	3166	3148	19	
	Ramala	M-Grade	#DIV/0!	#DIV/0!	-	
Uttar Pradesh	Dhampur	M-Grade Ex-Mill	3050	3038	12	
	Dhampur	S-Grade Ex-Mill	3030	3018	12	
	Dhampur	L-Grade Ex-Mill	3100	3088	12	
	Mumbai	M-Grade	3225	3221	4	
	Mumbai	S-Grade	3071	3074	-4	
Maharashtra	Nagpur	M-Grade	3053	3033	20	
Manarashtra	Nagpur	S-Grade	3025	3025	Unch	
	Kolhapur	M-Grade	2928	2908	20	
	Kolhapur	S-Grade	2900	2900	Unch	
Assam	Guhawati	S-Grade	3207	3207	Unch	
Meghalaya	Shillong	S-Grade	3220	3220	Unch	
Andhra Pradesh	Vijayawada	M-Grade	3584	3513	71	
Anunra Pradesn	Vijayawada	S-Grade	3568	3500	68	
West Bengal	Kolkata	M-Grade	3450	3440	10	
	Chennai	S-Grade	3078	3050	28	
Tamil Nadu	Dindigul	M-Grade	3454	3455	-1	
	Coimbatore	M-Grade	3450	3450	Unch	
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3580	3600	-20	

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)							
Commodity			Prices				
Jaggery(Gur)	Centre	Variety	28th to 03th Jan 2019	21th to 27th Dec 2018	Change		
	Muzaffarnagar	Chaku Fresh	2535	2658	-123		
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	35000	43000	-8000		
	Muzaffarnagar	Khurpa (Fresh)	2347	2356	-9		
Uttar Pradesh	Muzaffarnagar	Laddoo (Fresh)	2613	2715	-103		
	Muzaffarnagar	Rascut (Fresh)	2050	2073	-23		
	Hapur	Chaursa	2213	2198	15		
	Hapur	Balti	2275	2253	23		
		Gold	4344	4017	711		
Andhra Pradesh	Chittur	White	3720	3633	-		
		Black	3033	3400	-367		

Sugar & Gur Weekly Research Report 07. Jan, 2019

Maharashtra	Latur	Lal Variety	#DIV/0!	#DIV/0!	-
	Bangalore	Mudde (Average)	4150	4150	Unch
	Belgaum	Mudde (Average)	3200	3220	-20
	Belthangadi	Yellow (Average)	#DIV/0!	#DIV/0!	-
	Bijapur	Achhu	2805	2850	-45
	Gulbarga	Other (Average)	3112	3204	-92
Karnataka	Mahalingapura	Penti (Average)	3062	3047	15
	Mandya	Achhu (Medium)	2860	2850	10
	Mandya	Kurikatu (Medium)	2650	2592	58
	Mandya	Other (Medium)	2800	2650	150
	Mandya	Yellow (Medium)	2855	2828	27
	Shimoga	Achhu (Average)	3213	3225	-13

Commodity			Today	Week Ago	Month Ago	Year Ago
Sugar	Centre	Variety	03-Jan- 19	27-Dec-18	04-Dec-18	03-Jan-18
Delhi	Delhi	M-Grade	3100	3000	2916	3391
Deini	Delhi	S-Grade	3080	2980	2896	3371
	Khatauli	M-Grade	3260	3130	3190	3390
	Ramala	M-Grade	NA	NA	0	0
Uttar Pradesh	Dhampur	M-Grade Ex-Mill	3050	3030	3040	3290
	Dhampur	S-Grade Ex-Mill	3030	3010	3020	3270
	Dhampur	L-Grade Ex-Mill	3100	3080	3090	3340
	Mumbai	M-Grade	3232	3230	3266	3550
	Mumbai	S-Grade	3076	3070	3092	3290
	Nagpur	M-Grade	3075	3025	3025	Closed
Maharashtra	Nagpur	S-Grade	3025	3025	3025	Closed
	Kolhapur	M-Grade	2950	2900	2900	Closed
	Kolhapur	S-Grade	2900	2900	2900	Closed
Assam	Guhawati	S-Grade	3207	3207	3207	Closed
Meghalaya	Shillong	S-Grade	3220	3220	3220	Closed
	Vijayawada	M-Grade	3460	3700	3500	3700
Andhra Pradesh	Vijayawada	S-Grade	3420	3700	3460	3640
West Bengal	Kolkata	M-Grade	3450	3450	3460	NA
	Chennai	S-Grade	3120	3050	3150	3650
Tamil Nadu	Dindigul	M-Grade	3460	3450	3400	0
	Coimbatore	M-Grade	3450	3450	3450	0
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3500	3600	3600	0

Spot Jaggery(Gur) Prices Scenario	o (Weekly)				
Commodity			Today	Week Ago	Month Ago	Year Ago
Jaggery(Gur)	Centre	Variety	03-Jan- 19	27-Dec-18	04-Dec-18	03-Jan-18
	Muzaffarnagar	Chaku Sukha	NA	NA	2413	2688
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	6000	7000	6000	5000
	Muzaffarnagar	Khurpa	2368	2338	2238	2565
Uttar Pradesh	Muzaffarnagar	Laddoo	2625	2688	2613	2840
	Muzaffarnagar	Rascut	2038	2053	2038	2213
	Hapur	Chaursa	2200	2188	2150	2575
	Hapur	Balti	2250	2250	2125	2550
	Chittur	Gold	4520	3900	3900	0
Andhra Pradesh		White	3800	3600	3700	0
		Black	2500	NA	3600	0
Maharashtra	Latur	Lal Variety	NR	0	0	0
	Bangalore	Mudde (Average)	4150	4150	4250	4850
	Belgaum	Mudde (Average)	3200	3200	NA	3600
	Belthangadi	Yellow (Average)	NA	NA	0	0
	Bijapur	Achhu	2700	NA	2400	NA
	Gulbarga	Other (Average)	2975	3210	3275	3540
Karnataka	Mahalingapura	Penti (Average)	3081	3109	2987	NA
	Mandya	Achhu (Medium)	2800	2850	2750	3300
	Mandya	Kurikatu (Medium)	2650	2600	2600	3200
	Mandya	Other (Medium)	2750	2750	2650	3150
	Mandya	Yellow (Medium)	NA	2850	2800	3300
	Shimoga	Achhu (Average)	3250	3150	3350	3750

International Sugar Prices (Weekly)				
	Contract Month	03-Jan-19	12-Dec-18	Change
ICE Sugar #11 (US Cent/lb)	19-Mar	11.69	12.25	-0.56
	19-May	11.82	12.30	-0.48
	19-Jul	11.99	12.44	-0.45
LIFFE Sugar (US \$/MT)	19-Mar	324.20	339.00	-14.80
	19-May	329.00	342.80	-13.80
	19-Aug	334.00	348.80	-14.80

Sugar & Gur Weekly Research Report 07. Jan, 2019

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