

**Price Outlook:**

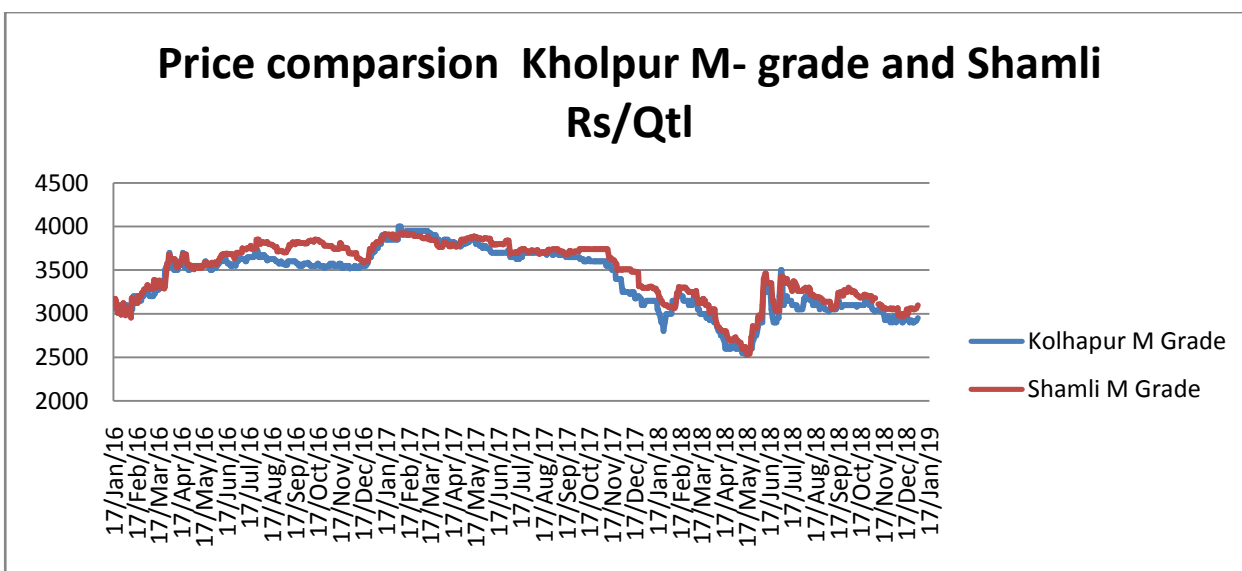
**Indian Sugar market witnessed firm trend during last week.** On hopes of increase in floor price which is currently at Rs 2,900 per quintal. We expect sugar prices may trade down on good physical supplies from mills are continuing in the physical market due to imposed stock limit on mills. Prices are 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 than 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 2950–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 3040 per quintal last week gaining INR 85 from the previous week; while spot sugar prices for the same grade in Shamli district is 3180 per quintal at the end of last week, gaining 105 INR against previous week's average price.

**Fundamental summary:**

Price Drivers	Impact
<i>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.</i>	Bullish
<i>After announcement of the export incentives for sugar millers in the country &amp;Festive demand</i>	Bullish
<i>Higher cane acreage for 2018-19</i>	Bearish

<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:

- **Cane payment arrears reached Rs 19,000 crore for the season up to December 31.** This was more than double last year's arrears at the same date. Of the total, around Rs 5,000 crore was carried over from last year. Excess sugar production and depressed domestic sugar price have led to accumulation of cane price arrears of farmers in sugarcane growing States including Uttar Pradesh, Maharashtra and Karnataka.
- **The mills have already asked for an increase in the minimum sale price of sugar by Rs 5 a kg,** to Rs 34 a kg. Prices in the country are inching up but are still only Rs 2,950 a quintal (Rs 29.5 a kg) in the wholesale market.
- **The sugar production of Maharashtra till January 6, 2019 has gone up by 13.29 per cent as compared to same time last year.** A total of 185 sugar mills were in operation in Maharashtra and have produced 489.51 lakh quintals of sugar, as compared to 424.50 lakh quintals produced by 182 sugar mills after crushing at least 411.22 lakh MT of cane as on January 6, 2018.

#### Previous Updates

- **In Vijayawada, sugar prices are trading near Rs 34-36/ Kg it's remained same from last two weeks.** There is no threat to consumers as of now due to ample sugar production within the country and huge availability of exportable surplus.
- **India's sugar exports are likely to be far lower than a 5 million-tonne target set by government as a strengthening rupee and falling global prices make shipments unattractive despite a government push for overseas sales.** As Agriwatch expected that India is likely to export to 3.0 million tonnes of sugar in the 2018/19 marketing year that started on Oct. 1
- **The Centre is likely to revise the sugar minimum selling price (MSP) by 10 per cent from its current level of Rs 29 a kg to Rs 32 a kg in the weeks ahead.** Last year, the Union food ministry had fixed the ex-factory sugar sale price at Rs 29 a kg to help domestic sugar mills amid falling retail sugar prices and the export-market squeeze owing to a global glut in the sector.
- **In Uttar Pradesh, 117 sugar mills are in operation and they have crushed about 286 lakh tonnes of sugarcane and produced 31 lakh tonnes as on 31st December, 2018,** with an average recovery of

10.84%. In 2017-18 SS, 116 sugar mills were in operation on 31st December, 2017 and they had crushed around 328 lakh tonnes of cane to produce 33.3 lakh tonnes of sugar with an average recovery of 10.14%. However, the yield per hectare is lower than last season and hence the sugar production in U.P. is estimated to be lower than last season for the whole year.

- **In Maharashtra, 184 sugar mills, which are in operation, have produced 43.98 lakh tonnes till 31st December, 2018, as against 183 sugar mills which produced 38.39 lakh tonnes last year.** From the beginning of the season and till 31st December, 2018, average sugar recovery % in the State stands at 10.50% as against 10.23% achieved for the corresponding period of 2017-18 SS. Due to lower availability of cane in Maharashtra and early start, the mills therein would be closing much earlier than last year.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3040 quintal this week.
- Next resistance and support level for the coming month has been seen at Rs 3200 and Rs 2950 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 2471 /quintal this week
- Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 2500 per quintal respectively.

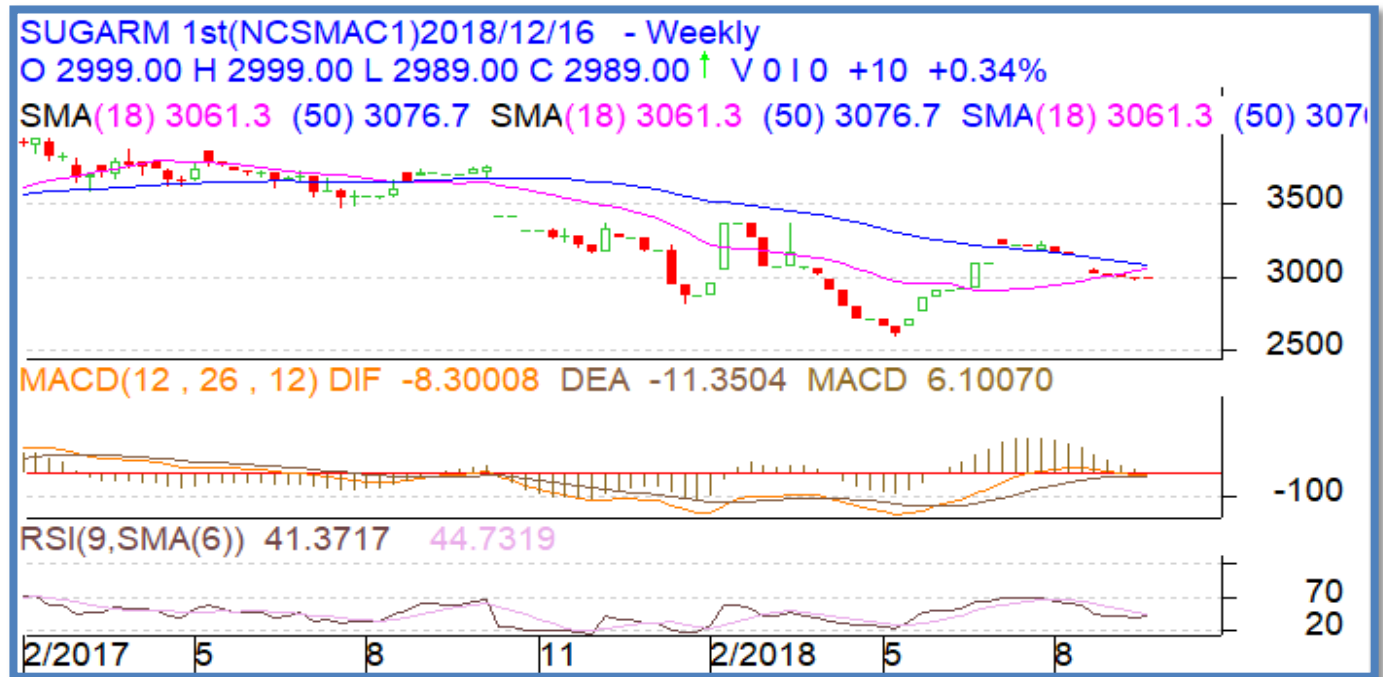


### Domestic Sugar Market Technical Analysis (Future Market)

Commodity: Sugar

Exchange: NCDEX

Contract: Sugar 1 M Con (Dec)



Strategy: Wait

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	Dec	2850	2900	2989	3200	3250
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 (01<sup>st</sup> October, 2018 – 30<sup>th</sup> 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:**

- **EU members exported 133,000 tonnes of sugar in November 2018, down from 267,000 in October and sharply below 324,000 in the same month last year, according to the European Commission.**

- **Philippines sugar production in the week ended December 16 amounted to 72,534 tonnes**, raw value, compared with 63,253 tonnes in the same period a year ago, SRA data showed.

#### Previous Updates

- **March NY world sugar #11 on Friday closed up +0.18 (+1.40%) and March ICE London white sugar (SWH19) closed up +4.70 (+1.35%).** Sugar prices moved higher Friday after crude oil prices rallied to a 1-1/2 month high. Stronger crude oil prices are positive for ethanol prices and provide incentive to Brazil's sugar mills to divert more cane crushing toward ethanol production rather than sugar production, thus reducing sugar supplies.
- **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.

#### **International Sugar Market Summary:**

March NY world sugar #11 (SBH19) on Friday closed up +0.18 (+1.40%) and March ICE London white sugar (SWH19) closed up +4.70 (+1.35%). Sugar prices moved higher Friday after crude oil prices rallied to a 1-1/2 month high. Stronger crude oil prices are positive for ethanol prices and provide incentive to Brazil's sugar mills to divert more cane crushing toward ethanol production rather than sugar production, thus reducing sugar supplies. Mar NY sugar climbed to a 2-1/4 month high Wednesday on signs that sugar exports from India, the world's second-biggest sugar producer, may ease after India's Prime Minister's Office said it is considering raising the minimum selling price of sugar to 31 rupees/kg from 29 rupees/kg, which may curb India's sugar exports. Also, researcher Marex Spectron cut its India 2018/19 sugar export estimate to 2.8 MMT from a Nov estimate of 3.0 MMT. Sugar prices still have support from Tuesday's data from Unica showing that 2018/19 Brazil Center-South sugar production through December was down -26.5% y/y at 26.339 MMT. On the bearish side is Brazil shipping data showing that sugar awaiting loading in Brazil's ports rose to 586,400 MT as of Jan 16, up from last week's level of 382,113 MT. Also, Brazil's hydrous ethanol prices fell for a second week to 1.6354 real per liter in the week

ended Jan 11, down -12% y/y and the lowest for this time of year in 3 years, which may prompt Brazil's sugar producers to divert more cane crushing toward sugar production with the lower ethanol prices

#### 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

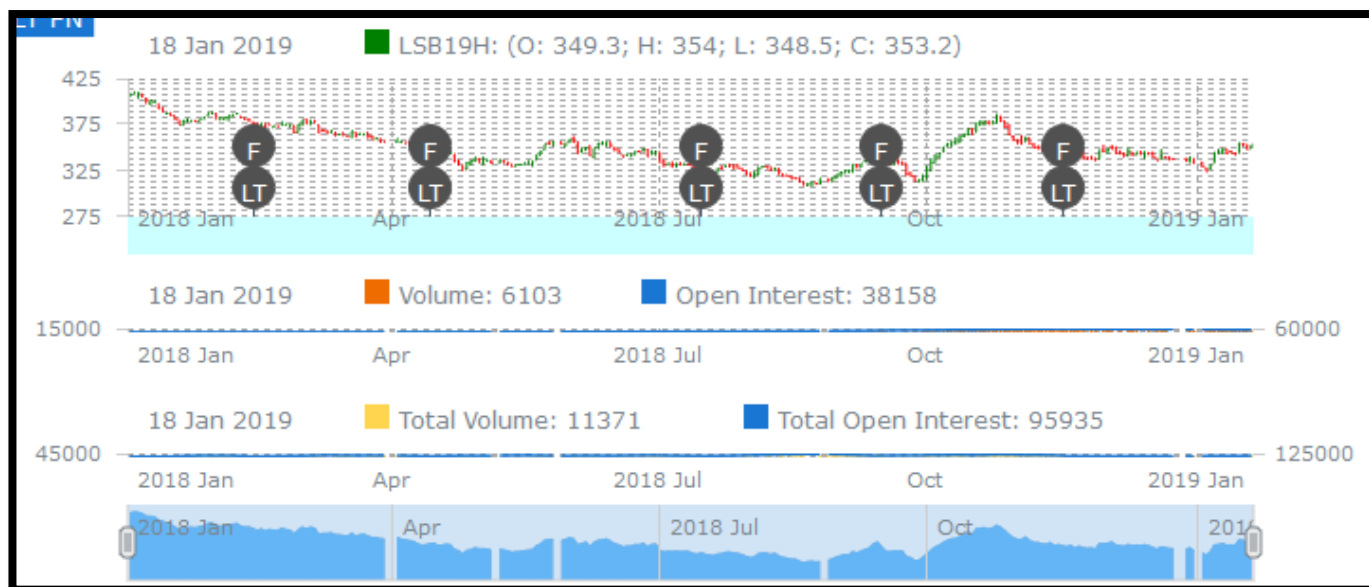
#### International Sugar Futures Price Projection

##### 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 WEEK depicts bearishness in the market.
- Strategy: sell below 355, T1 360

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Mar'19	353	345-355



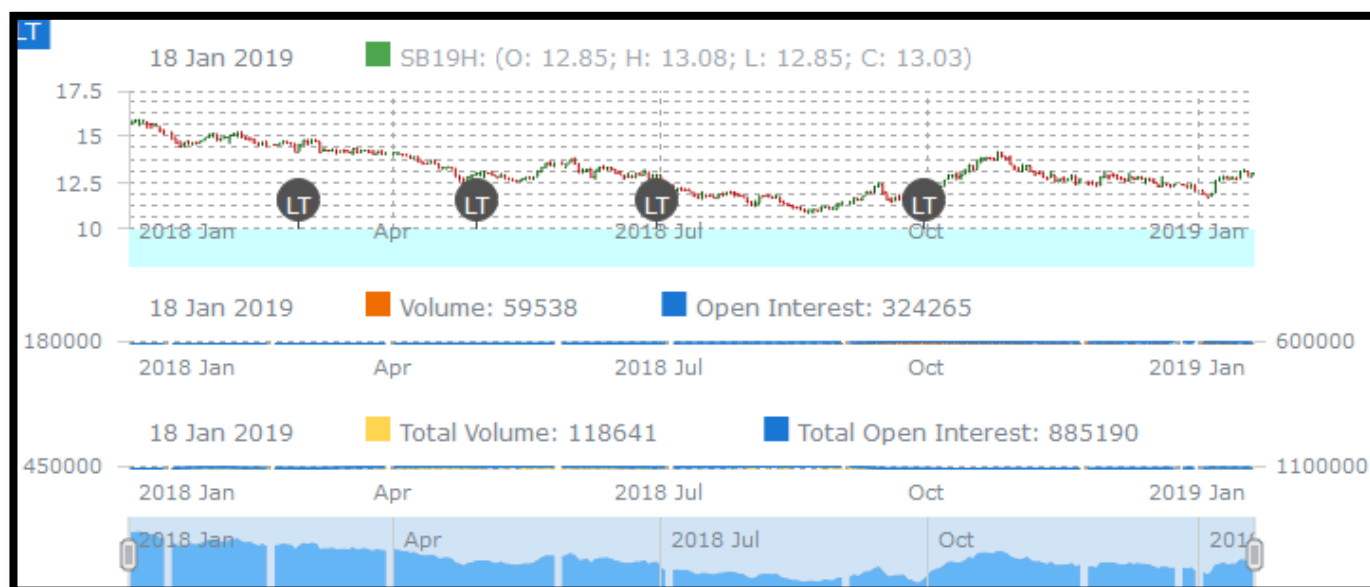


## ICE (Raw Sugar Exchange) Future Market Scenario (Mar'19 Contract)

### Technical Commentary:

- ICE raw sugar futures trend upward for the week.
- Last candlestick of the month depicts bearishness in the market. Strategy: sell at 12.50 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	12.85	11-14



Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			11th to 17th Jan 2019	04th to 10th Jan 2019	
Delhi	Delhi	M-Grade	3073	3106	-33
	Delhi	S-Grade	3053	3086	-33
Uttar Pradesh	Khatauli	M-Grade	3333	3265	68
	Ramala	M-Grade	0	#DIV/0!	-
	Dhampur	M-Grade Ex-Mill	3080	3080	Unch
	Dhampur	S-Grade Ex-Mill	3060	3060	Unch
	Dhampur	L-Grade Ex-Mill	3130	3130	Unch



Maharashtra	Mumbai	M-Grade	3183	3245	-62
	Mumbai	S-Grade	3086	3068	18
	Nagpur	M-Grade	3115	3075	40
	Nagpur	S-Grade	3045	3030	15
	Kolhapur	M-Grade	2990	2950	40
	Kolhapur	S-Grade	2920	2905	15
Assam	Guhawati	S-Grade	3228	3212	15
Meghalaya	Shillong	S-Grade	3240	3225	15
Andhra Pradesh	Vijayawada	M-Grade	3440	3456	-16
	Vijayawada	S-Grade	3400	3416	-16
West Bengal	Kolkata	M-Grade	3480	3448	32
Tamil Nadu	Chennai	S-Grade	3107	3106	1
	Dindigul	M-Grade	3450	3448	2
	Coimbatore	M-Grade	3450	3450	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3500	3500	Unch

Sugar Prices are in INR/Quintal. (1 Quintal=100 kg)

## Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)

Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
			11th to 17 th Jan 2019	04th to 10 th Jan 2019	
Jaggery(Gur)					
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	2447	2473	-26
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	35000	32000	3000
	Muzaffarnagar	Khurpa (Fresh)	2282	2340	-58
	Muzaffarnagar	Laddoo (Fresh)	2555	2611	-56
	Muzaffarnagar	Rascut (Fresh)	2052	2060	-8
	Hapur	Chaurasa	2169	2188	-19
	Hapur	Balti	2169	2225	-56
Andhra Pradesh	Chittur	Gold	3900	4304	160
		White	3400	3740	-
		Black	2900	2920	-20
Maharashtra	Latur	Lal Variety	0	0	Unch
Karnataka	Bangalore	Mudde (Average)	4150	4150	Unch
	Belgaum	Mudde (Average)	3225	3267	-42
	Belthangadi	Yellow (Average)	0	0	Unch
	Bijapur	Achhu	2660	2625	35
	Gulbarga	Other (Average)	3078	3050	28
	Mahalingapura	Penti (Average)	749	3022	-2273
	Mandya	Achhu (Medium)	2817	2883	-67
	Mandya	Kurikatu (Medium)	2717	2667	50
	Mandya	Other (Medium)	2650	2767	-117
	Mandya	Yellow (Medium)	3000	2950	50

	Shimoga	Achhu (Average)	3200	3210	-10
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Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			17-Jan-19	10-Jan-19	17-Dec-18	17-Jan-18
Delhi	Delhi	M-Grade	3039	3100	3075	3349
	Delhi	S-Grade	3019	3080	3055	3329
Uttar Pradesh	Khatauli	M-Grade	3360	3270	3200	3354
	Ramala	M-Grade	NA	0	0	0
	Dhampur	M-Grade Ex-Mill	3100	3075	3050	3240
	Dhampur	S-Grade Ex-Mill	3080	3055	3030	3220
	Dhampur	L-Grade Ex-Mill	3150	3125	3100	3290
Maharashtra	Mumbai	M-Grade	3206	3216	3242	3440
	Mumbai	S-Grade	3110	3066	3060	3236
	Nagpur	M-Grade	3175	3100	3125	3175
	Nagpur	S-Grade	3075	3050	3075	3075
	Kolhapur	M-Grade	3050	2975	3000	3050
	Kolhapur	S-Grade	2950	2925	2950	2950
Assam	Guhawati	S-Grade	3258	3233	3258	3258
Meghalaya	Shillong	S-Grade	3270	3245	3270	3270
Andhra Pradesh	Vijayawada	M-Grade	3440	3440	3400	3660
	Vijayawada	S-Grade	3400	3400	3360	3600
West Bengal	Kolkata	M-Grade	3530	3440	3450	NA
Tamil Nadu	Chennai	S-Grade	Closed	3110	3100	3650
	Dindigul	M-Grade	3450	3450	3380	0
	Coimbatore	M-Grade	3450	3450	3450	0
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3500	3500	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)			17-Jan-19	10-Jan-19	17-Dec-18	17-Jan-18
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	NA	0	2750	2663
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	6000	7000	10000	7000
	Muzaffarnagar	Khurpa	2263	2263	2273	2525
	Muzaffarnagar	Laddoo	2528	2513	2720	2838
	Muzaffarnagar	Rascut	2075	2075	2030	2225
	Hapur	Chaurasa	2175	2175	Closed	2413
	Hapur	Balti	2163	2250	Closed	2475

Andhra Pradesh	Chittur	Gold	Closed	4000	3800	0
		White	Closed	3700	3700	0
		Black	Closed	3000	3400	0
Maharashtra	Latur	Lal Variety	NR	0	0	0
Karnataka	Bangalore	Mudde (Average)	4150	4150	4150	4850
	Belgaum	Mudde (Average)	3200	3300	3200	3600
	Belthangadi	Yellow (Average)	NA	0	0	0
	Bijapur	Achhu	2350	2600	NA	NA
	Gulbarga	Other (Average)	3050	3070	3200	3495
	Mahalingapura	Penti (Average)	NA	NA	3033	3252
	Mandya	Achhu (Medium)	2700	2900	2700	3250
	Mandya	Kurikatu (Medium)	2600	2700	2550	3200
	Mandya	Other (Medium)	2600	2750	2550	3150
	Mandya	Yellow (Medium)	2750	3000	2700	3300
	Shimoga	Achhu (Average)	3200	3200	3100	3650

International Sugar Prices (Weekly)				
	Contract Month	17-Jan-19	10-Jan-19	Change
ICE Sugar #11 (US Cent/lb)	19-Mar	12.85	12.67	0.18
	19-May	13.00	12.81	0.19
	19-Jul	13.15	12.92	0.23
LIFFE Sugar (US \$/MT)	19-Mar	348.50	344.10	4.40
	19-May	356.80	353.20	3.60
	19-Aug	361.90	358.70	3.20

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