

**Price Outlook:**

In the spot wholesale markets, sugar prices are sustaining mixed trend because of supply surplus and expectations of achieving lower sugarcane crop due to the damage caused by the delayed monsoon. We expect Indian sugar prices may trade in range of 3100 to 3350 Rs/qrtl in coming days.

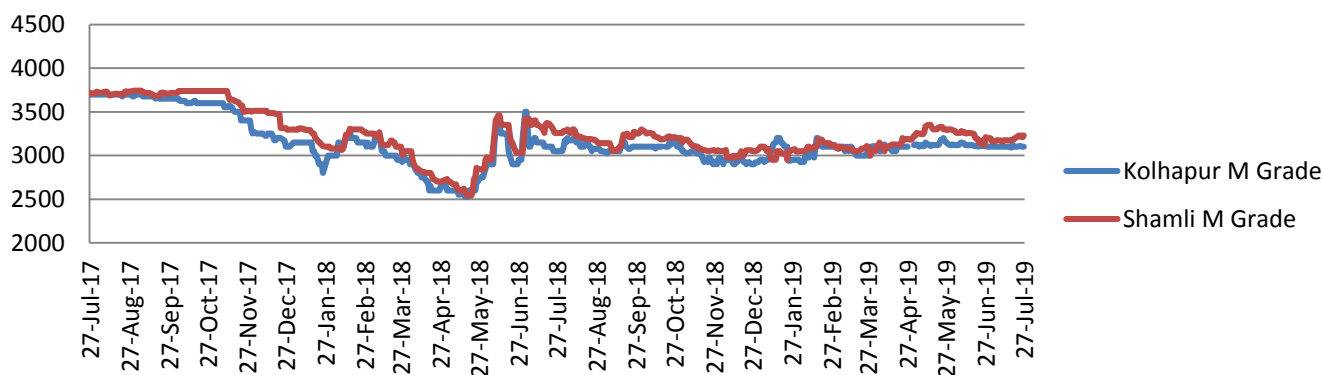
**Price Projection for the Next week**

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range higher next week between Rs.3100 -3220 per quintal for next week.

**Domestic Sugar Market Summary**

Average price for sugar 'M' grade in key Kolhapur market settled at Rs.3103 per quintal this week, while spot sugar prices for the same grade in Shamli district is Rs. 3212 per quintal during the week, up by 32 INR against previous week's average price.

### Price comparsion Kholpur M- grade and Shamli Rs/Qtl

**Fundamental summary:**

Price Drivers	Impact
Sugar production during the current 2019-20 SS is estimated to be lower considering the adverse impact of weather and rainfall in the three largest sugarcane producing States.	Bullish
Indian Sugar Mills Association expects to export a record 7 million MT of sugar in 2019/20 to reduce its huge stockpiles, up from 3 million MT in 2018/19	Bullish
Higher cane acreage for 2019-20	Bearish
Tightening of restriction on monthly sales	Bullish
MSP at Mill gate fixed at Rs 3100/ Qtl for refined Sugar	Bullish
Announcement for creation of 4 mn tonnes of buffer stock	Bullish

## Domestic Market Highlights

Recent Updates:

- **The Agriculture Ministry has released the sugarcane area as on 26<sup>th</sup> July, the area progressed slightly to 52.30 lakh ha.** The area is slightly higher by 3.98 lakh ha against the normal area and lagging behind by 3.15 lakh ha from the corresponding period in the previous year. The large decrease in area is seen in Tamil Nadu, Maharashtra and Gujarat by 28.22%, 23.64% and 25.68% respectively from last year. The south India and some parts of Maharashtra have been affected adversely due to bad rainfall scenario in the current monsoon.
- **The area under sugarcane has slightly risen to 20,369 ha from 16,275 ha previous year** also higher than normal area as on 24th July at 17,866 ha in Telangana. The area planting under sugarcane has almost been completed in the state.
- **Recently the central government has fixed around 10,000 tonnes of sugar of export quota to the European Union** for the period starting from 1<sup>st</sup> Nov'19 to 30<sup>th</sup> Sep'20 under CXL concession. By availing the CXL concession on export to the EU, traders can export sugar at relatively low or zero customs duty. The central government is putting efforts in making new sugar export policy to cut the hindrance faced by the country this year. New policy should be released in the coming days to ease the export supply and curbing the sugar stocks by the sugar mills.
- **The sugarcane area in Marathwada and vidarbha region in Maharashtra have been affected severely due to weaker monsoon this year.** The availability of green fodder has declined adversely in these areas for the cattle, therefore, farmers are uprooting the dried sugarcane for fodder purpose. According to Agriwatch estimates, sugarcane crop would be reduced by around 25% in Maharashtra due to less rainfall, diversion in fodder.
- **Government has approved to increase the buffer stock to 40 lakh tonnes from 30 lakh tonnes** for one year starting from 1<sup>st</sup> August to 31<sup>st</sup> July'20 2019-20 season. For this, the Central government would incur the estimated maximum expenditure of Rs 1,674 crore. This created a relief among the sugar mills across the country.
- **Gorakhpur mill in Uttar Pradesh is also likely to produce ethanol from sugarcane as directed by the government.** Although the state has produced around 42.37 crore litres and is expected to increase upto 81.36 crore litres of ethanol. Uttar Pradesh has around 16-17% diversion to jiggery which is likely to surge in the coming season as state government has issued 86 new licenses for setting up of jiggery units. This increase in diversion would be able to curb the sugar stocks and thereby increasing the sugar prices.

- **As India is focusing on diversion of cane crush to ethanol production, India has so far around 29.5 crores of litres of ethanol** have been supplied to oil manufacturing companies. A few months ago, the Centre approved incentives worth Rs 3,300 crore to help sugar mills boost ethanol production capacity. Since India is struggling to clear the sugar stocks due to higher price of sugar in India compared to other countries, it becomes necessary to opt ethanol production instead of sugar production in the coming season.

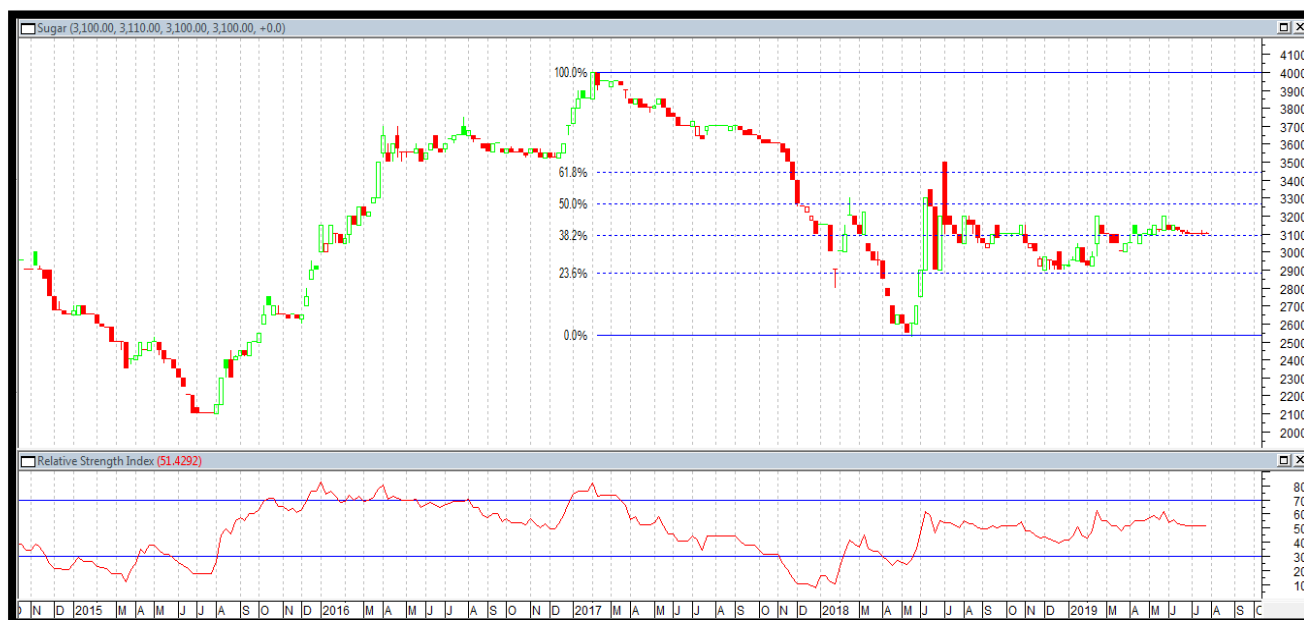
#### Previous Updates

- **The Agriculture Ministry has released the sugarcane area as on 18<sup>th</sup> July, the area progressed slightly to 50.01 lakh ha.** The area is slightly higher by 1.69 lakh ha against the normal area and lagging behind by 2.03 lakh ha from the corresponding period in the previous year. The large decrease in area is seen in Telangana, Maharashtra, Tamil Nadu and AP by 35%, 23.64%, 22.9%, and 10.85% respectively from last year. The south India and some parts of Maharashtra have been affected adversely due to bad rainfall scenario in the current monsoon.
- **The widespread awareness of sugar consumption among the people is concerning the sugar industry adversely.** The recent decision made by the big industries like Nestle to make sugar free chocolate bars to avoid excess sugar content usage. Although Nestle has cut down 32 per cent of table sugar in its products, especially on children's foods, between 2000 and 2013. Another change was made by FSSAI that proposed changes for the FMCG sector where the packaged food companies are to label high fat, sugar and salt content levels on the front side of the package with a code of "Red" colour which will depict the consumers that sugar consumption is harmful for health. However, this will reduce the consumption to lower levels in the coming season against this year.
- **India has allowed 1239 tonnes of raw sugar exports to US upto 30<sup>th</sup> September '19 under TRQ (Tariff rate quota) which enables shipments on relatively low tariffs.** It is a preferential quota that the country enjoys duty free exports upto 10,000 tonnes to US and additional quantity to the allotted quota would be charged higher tariffs on the imports to US.
- **India is likely to continue the export subsidies on sugar even after Brazil, Guatemala and Australia lodged complaint at WTO** as it is against the global trade practices. Export subsidies are important so as to clear increase the shipment of sugar and thus helping in reducing the rising sugar inventories.

- According to the ministry, India has huge potential of manufacturing ethanol as in 2018, country's ethanol market was of Rs 11,000 crore and this year it will probably go up to Rs 20,000 crore. The government has decided to proceed with a phase wise approach to achieve this target. The first generation of ethanol is expected to be produced from molasses, second generation will be from sugar cane juice and the third generation of ethanol will be generated from biomass. The government wants to accelerate the use of ethanol as fuel and also requested the petroleum ministry to start giving permission for setting up of ethanol pumps. This step will encourage the sugar mills to divert the sugar production to ethanol production from next year and would help clearing the sugar stockpiles in India.

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

- Sugar spot prices at benchmark Kolhapur market closed at Rs3100 quintal this week.
- Next resistance and support level for the coming week is expected at Rs 3150 and Rs3050 per quintal respectively.
- RSI is in the neutral region.



#### Technical Analysis - ChakuSukha-gur(fresh) at Spot (Muzaffarnagar)market.

##### Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market were steady as there were no arrivals in the market.
- The new arrivals will start after October, 2019.



### 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
<b>Sugar</b>	NCDEX	Dec	2850	2900	2989	3200	3250
Intraday Trade Call			Call	Entry	T1	T2	SL
<b>Sugar</b>	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 2019-20(LT)								
SUGAR BALNCE SHEET 2018-19(LT)	2016-17	2017-18	2018-19*	2019-20*	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Carry in stock	77	34.1	82.67	120.76	120.76	128.16	201.02	155.53
Estimated sugar production	202.85	321.96	330.09	278.76	87.48	142.71	43.14	18.87
Imports	4.46	2.85	0	0.00	0.00	0.00	0.00	0.00
Estimated sugar availability (A + B + C)	284.31	358.91	412.76	399.52	208.24	270.88	244.16	174.40
Exports	4.6	16.24	40	50.00	5.00	16.67	11.67	16.67
Availability for domestic consumption (D - E)	279.71	342.67	372.76	349.52	203.24	254.21	232.49	157.73
Estimates sugar consumption	245.61	260	252	260.50	75.08	53.19	76.96	55.27
Carry out stock (F - G)	34.1	82.67	120.76	89.02	128.16	201.02	155.53	102.46

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 330.09 LT in 2018/19 than 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 decline to 252 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 40 LT in 2018-19.

## International Market Highlights

Recent Updates:

**Oct NY world sugar #11 on Friday closed slightly higher by +0.02 (+0.17%).** A bullish factor for sugar was entertained after the news from India emerged about the approval of the creation of a buffer stock of 4 million MT of sugar for 1 year starting from 1<sup>st</sup> Aug in an attempt to lock up supply and support domestic sugar prices.

**Sugar output in Brazil, the world's biggest sugar producer, after Unica reported that Brazil's 2019/20 Center-South sugar production fell sharply by 19.1% to 1.93 MT** with cumulative production in the 2019-20 marketing year through mid-July falling -10.8% y/y to 10.857 MMT.

**Australia Sugar mills crushed only 1.45 mln tonnes of cane in the week to July 21, down from 0.53 mln tonnes a week earlier** and also below from 1.54 mln in the same period last year, Australian Sugar Milling Council (ASMC) data show. As on 21<sup>st</sup> July, the total sugarcane crush reached 53.89 lakh tonnes around 17% of cane is crushed till now and 6.9% less compared to previous year at same period of time.

Previous Updates

**October NY world sugar #11 on Friday closed up +0.04 (+0.35%) and Oct ICE London white sugar also closed up +3.10 (+0.99%).** A bullish factor for sugar due to the update from India having 18% below normal rainfall during June 1<sup>st</sup> to July 19<sup>th</sup>.

**Australia Sugar mills crushed only 0.530 mln tonnes of cane in the week to July 14, down from 0.950 mln tonnes a week earlier** and also below 1.574 mln in the same period last year, Australian Sugar Milling Council (ASMC) data show. As on 14<sup>th</sup> July, the total sugarcane crush reached 39.32 lakh tonnes around 12.4% of cane is crushed till now and 7% less compared to previous year at same period of time. South Korea – Australia Free trade agreement (KAFTA) has eliminated the 3% import tariffs on Australian raw sugar. The raw sugar exports from Australia is likely to increase in the coming season.

**Total Mexican sugar exports as on 14<sup>th</sup> July'19 in 2018-19 season starting from October'18, reached 18.96 lakh tonnes** with gradual decrease from May month. Followed by decline in exports by 17.9% in the corresponding period last year.

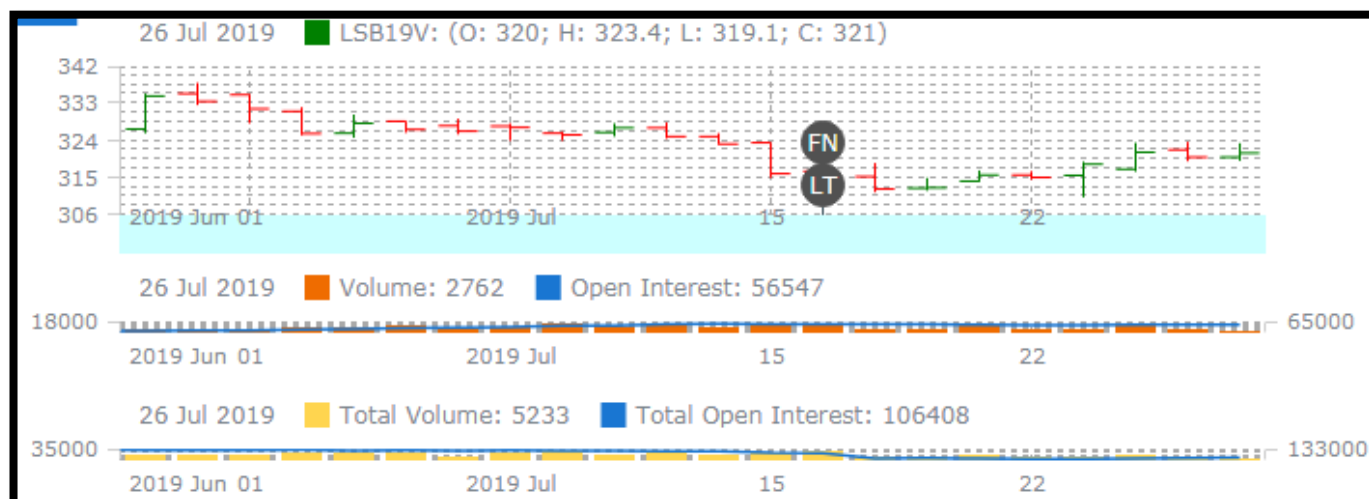
**International Sugar Market Summary:****Bullish and Bearish factors for International sugar**

Factors	Impact
Conab projects that Brazil 2019/20 sugar production will climb by +17.4% y/y to 34.1 MMT	Bullish
The USDA estimates that global 2019/20 sugar production will climb +1% y/y to 180.7 MMT	Bearish
Brazil's sugar mills will increase their percentage of cane crushing to produce sugar to 39.1% from 34.9% in 2018/19	Bullish
Brazil's production is forecast to rebound 2.5 million tons to 32.0 million, according to USDA Report	Bullish
The recent gain in crude oil prices, which is positive for ethanol prices and may prompt Brazil's sugar mills to divert more cane to making ethanol,	Bullish

**International Sugar Futures Price Projection****LIFFE (White Sugar Exchange) Future Market Sugar Scenario (AUG 19 Contract)****Technical Commentary**

- LIFFE future market slightly bullish for the week also.
- Last candlestick of the week depicts bullish in the market.
- Strategy: Buy at level 318,T1 322.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'19	321	318-323





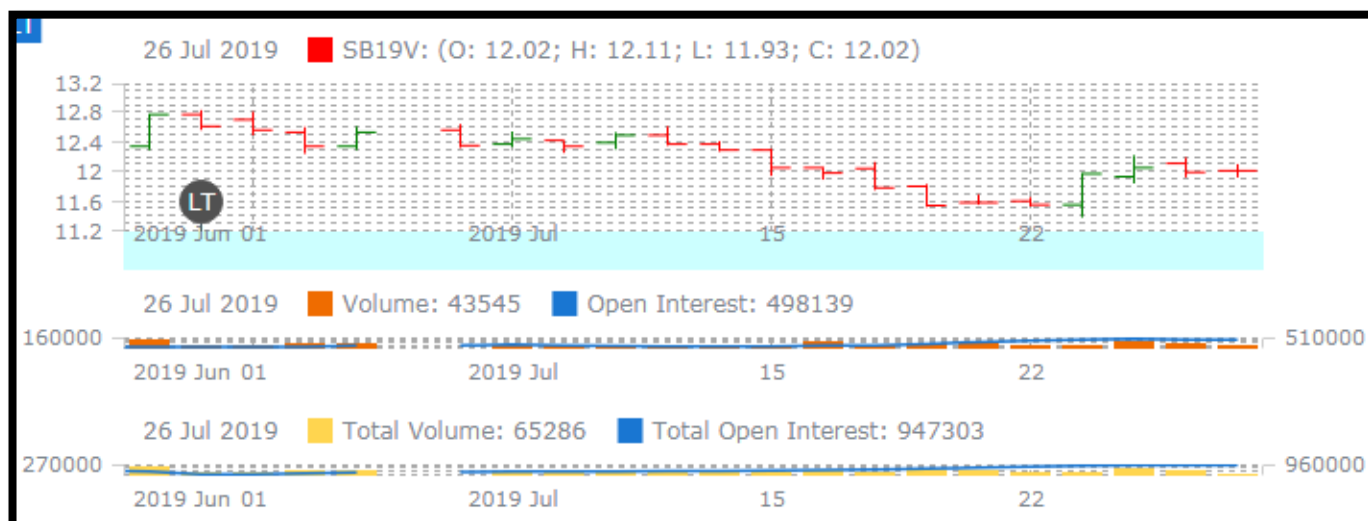
## ICE (Raw Sugar Exchange) Future Market Scenario (July'19 Contract)

## Technical Commentary:

- ICE raw sugar futures were slightly firm.
- Last candle stick of the week depicts sell in future market as open position is increasing.
- Strategy: Sell at rate 12 Targeting 15.

## International Sugar Futures Price Projection

	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'19	12.02	11-15



## Spot Sugar Prices Scenario (Weekly) (Average)

Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
			19th June to 25th July 2019	12th June to 18th July 2019	
Delhi	Delhi	M-Grade	3213	3185	28
	Delhi	S-Grade	3193	3165	28
Uttar Pradesh	Khatauli	M-Grade	3308	3247	61
	Ramala	M-Grade	0	0	Unch
	Dhampur	M-Grade Ex-Mill	3208	3165	43
	Dhampur	S-Grade Ex-Mill	3188	3145	43
	Dhampur	L-Grade Ex-Mill	3258	3215	43
Maharashtra	Mumbai	M-Grade	3335	3318	17
	Mumbai	S-Grade	3227	3230	-3
	Nagpur	M-Grade	3228	3227	2

	Nagpur	S-Grade	3175	3162	13
	Kolhapur	M-Grade	3103	3102	2
	Kolhapur	S-Grade	3050	3037	13
Assam	Guhawati	S-Grade	3360	3346	14
Meghalaya	Shillong	S-Grade	3370	3357	13
Andhra Pradesh	Vijayawada	M-Grade	3560	3560	Unch
	Vijayawada	S-Grade	3500	3500	Unch
West Bengal	Kolkata	M-Grade	3578	3607	-28
Tamil Nadu	Chennai	S-Grade	3587	3600	-13
	Dindigul	M-Grade	3527	3560	-33
	Coimbatore	M-Grade	3650	3650	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3350	3350	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
Jaggery(Gur)			19th June to 25th July 2019	12th June to 18th July 2019	
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	0	0	Unch
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	0	0	Unch
	Muzaffarnagar	Khurpa (Fresh)	0	0	Unch
	Muzaffarnagar	Laddoo (Fresh)	0	0	Unch
	Muzaffarnagar	Rascut (Fresh)	0	0	Unch
	Hapur	Chaurasa	0	0	-
	Hapur	Balti	0	0	Unch
Andhra Pradesh	Chittur	Gold	3300	0	-
		White	0	0	-
		Black	2660	0	-
Maharashtra	Latur	Lal Variety	0	0	Unch
Karnataka	Bangalore	Mudde (Average)	4350	4350	Unch
	Belgaum	Mudde (Average)	640	3200	-2560
	Belthangadi	Yellow (Average)	0	0	Unch
	Bijapur	Achhu	3160	3100	60
	Gulbarga	Other (Average)	#DIV/0!	3340	-
	Mahalingapura	Penti (Average)	3233	3243	-10
	Mandya	Achhu (Medium)	3183	3150	33
	Mandya	Kurikatu (Medium)	3000	2992	8
	Mandya	Other (Medium)	2925	2933	-8
	Mandya	Yellow (Medium)	3183	3167	17
	Shimoga	Achhu (Average)	3633	3660	-27

International Sugar Prices (Weekly)				
	Contract Month	25-Jul-19	18-Jul-19	Change
ICE Sugar #11 (US Cent/lb)	19-Oct	1853.11	1782.58	70.53
	20-Mar	2004.44	1947.72	56.72
	20-May	2022.98	1967.78	55.19
LIFFE Sugar (US \$/MT)	19-Aug	2402.56	2333.64	68.92
	19-Oct	2458.40	2388.76	69.64
	19-Dec	2278.47	2221.34	57.13

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