

Price Outlook:

The sugar spot wholesale prices are trading at mixed trend last week but likely to remain steady to firm amid export subsidy incentives in the coming month and support from festive season. We expect Indian sugar prices may trade in range of 3250 to 3500 Rs/qrtl in coming days.

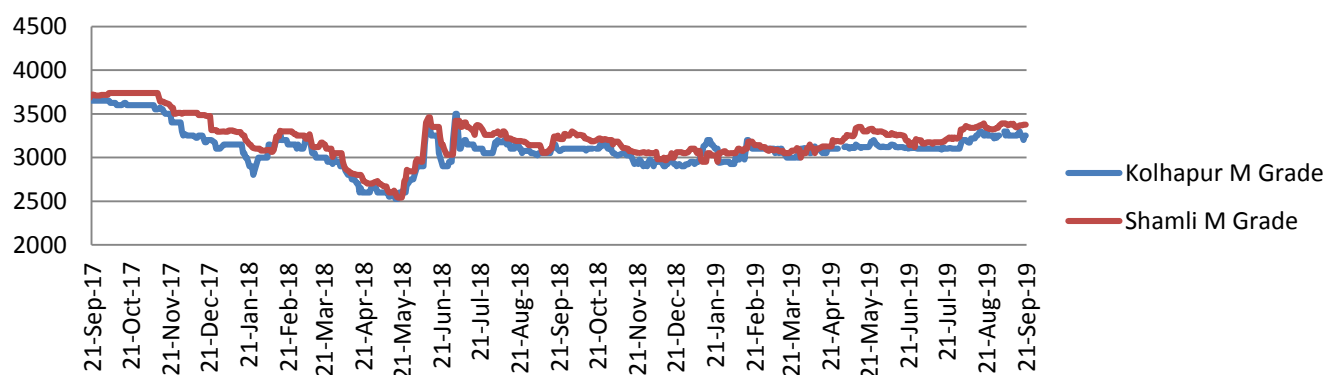
Price Projection for the Next week

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range higher next week between Rs.3200 -3350 per quintal for next week.

Domestic Sugar Market Summary

Average price for sugar 'M' grade in key Kolhapur market settled at Rs.3250 per quintal, while spot sugar prices for the same grade in Shamli district is Rs.3362.5 per quintal during the week, up by 13 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
Agriwatch expects to export a record 5 million MT of sugar in 2019/20 to reduce its huge stockpiles, up from 3.7 million MT in 2018/19	Bullish
The announcement of export subsidy incentive of Rs.10.48/kg of sugar upto 6 mln tonne would help clear sugar stock piles	Bullish
Tightening of restriction on monthly sales	Bullish
Announcement for creation of 4 mn tonnes of buffer stock	Bullish

Domestic Market Highlights

Recent Updates:

- **All India sugarcane sowing progress released by Government of India, as on 19th Sep'19, the sowing has almost been completed under sugarcane.** The total area stood same as of last week at 52.45 lakh ha area has been covered this year lower by 3.06 lakh ha (5.5%) but higher by 4.5% than normal area as on date. The acreage in Tamil Nadu, Maharashtra, Telangana, AP, and UP declined this year by 0.81 lakh ha, 2.6 lakh ha, 0.07 lakh ha, 0.11 lakh ha and by 0.56 lakh ha respectively due to unfavourable prolonged drought conditions (delayed monsoon) in all the states.
- **In order to reduce the crude imports to India, OMCs have made decision to increase the ethanol blending and a step to promote ethanol production from molasses, sugarcane juice, sugar syrup and distilleries producing ethanol.** For the current year 2019-20, OMCs are likely to buy 5.11 billion liters of ethanol which is 55% higher than the preceding year which stood at 3.29 billion liters. The recent hike in ethanol prices from C-heavy, B-heavy and from direct juice along with surge in the requirement of ethanol by OMCs would help government in achieving the target of 10% blending of ethanol in petrol by 2020.
- **Nepal has lifted import restriction on Indian sugar, therefore, India can export sugar to Nepal in the coming season as a hope of opportunity to India to decrease the existing sugar stock.** Nepal has contracted to import 20,000 metric tonnes of sugar. Out of this, Food Management and Trade Company Limited and Salt Trading Corporation Limited to import 10,000 metric tonnes of sugar each. The ban earlier was imposed due to the excessive supply of cheaper foreign sugar in the Nepal domestic market which had lowered the demand for comparatively costly Nepali sugar.
- **Erratic rainfall in Karnataka has affected the sugarcane crop which might reduce the state's production by 5-8% in 2019-20.** At least 14 of the 25 private sector sugar mills in Tamil Nadu will not commence operations in the 2019-20 sugar season according to the South Indian Sugar Mills Association (SISMA) representatives due to shortage of cane in the coming season.
- **First distillery unit which will produce ethanol from direct juice going to be establish in Gorakhpur district of Uttar Pradesh in the coming 2 years.** The unit is likely to crush 1,250 tonnes of cane/day and produce 95,000 liters of ethanol. The Centre has also provided soft loans to sugar mills to build new distilleries and enhance existing ones in India. The government has recently hiked the prices of ethanol made from 100% cane juice and C-heavy molasses to 59.48 rupees per ltr and 43.75 rupees per ltr respectively encouraging the ethanol production so as reduce sugar production.

Previous Updates

- **All India sugarcane sowing progress released by Government of India, as on 12th Sep'19, the sowing has almost been completed under sugarcane.** The total area stood same as of last week at 52.45 lakh ha area has been covered this year lower by 3.06 lakh ha (5.5%) but higher by 4.5% than normal area as on date. The acreage in Tamil Nadu, Maharashtra, Telangana, AP, and UP declined this year by 0.81 lakh ha, 2.6 lakh ha, 0.07 lakh ha, 0.11 lakh ha and by 0.56 lakh ha respectively due to unfavourable prolonged drought conditions (delayed monsoon) in all the states.
- **The rain advanced in the southern states in AP, Telangana and Karnataka and the Belagavi district of Karnataka has been affected with floods due to which the shortage of sugarcane is reported this year.** The flood had destroyed sugarcane crop on 1.15 lakh hectares, which is around 45 per cent of the total cane that stands on 2.5 lakh hectares in the district. This would affect the overall production of the state and the farmers are worried that they would be get paid if the mills are struggling with shortage of cane.
- **The recent floods in Kolhapur, Sangli and Satara had created havoc in the districts by damaging around 50-60 lakh tonnes of cane and another 30-40 lakh tonnes of cane** was drastically affected by the drought in earlier of season. Cooperative sugar millers in Maharashtra have urged state sugar commissioner Shekhar Gaikwad to postpone the crushing season of 2019-20 to December 1 which is requested to be delayed by around 1 month.
- **The government is likely to accept a proposal made by Indonesia to reduce import duty on refined palm oil from Indonesia in exchange they will import high quality raw sugar exports from India.** Since India is struggling due to surplus sugar, and the next season is estimated at 120 lakh tonnes of opening stock. Such a large quantity is sufficient to meet India's six months of sugar consumption.
- **The current hike in ethanol prices should result in enhancement of the ethanol production addition to the subsidised loans,** the long-term policy on ethanol pricing and procurement policies. As India targeted to achieve 20% ethanol blending by 2020, then there is need to introduce fuel cars to utilize ethanol blended fuel. For 2018-19, 10% blending requires 3.3 bn litres annually and contracts were entered into for 2.4 bn litres (over 7% blend levels). As per the current supplies, about 6% blending is expected and India currently has over 80-90 lakh tonne of surplus sugar. The drawback in achieving the target is the lack of current capacity which is only 3.5 billion litres but the country has huge demand which requires around 7-8 billion litres.
- **The sugar mills are all set to export the sugar stock piles from 1st Oct'19** instead of waiting for the new sugar crop to become available to utilize the time until April, when supplies from rival Brazil start to flood in the market. India is likely to export sugar to China, East Africa, Bangladesh, Iran and Sri Lanka with the shipments starting from next month. As the accelerating exports might affect the global prices,

therefore, Australia, Brazil and Guatemala have jointly asked the WTO to set up a panel to challenge India's subsidies. But from the point of view of India, the ever since 2 years piled sugar stocks can be relieved in the new season to clear off the cane arrears.

- **The higher cost of production of sugar in China and some countries are exporting the sugar below the cost prices has hampered the domestic sugar prices.** The ministry of commerce has been urged to increase the tariffs on sugar imports. According to the reports, the plan to request an extension of the tariffs was discussed at a meeting organized by the China Sugar Association on September 5. China in 2017 to protect the domestic industry imposed 15 per cent tariffs on sugar imports within 1.94 million tonnes, and 50 per cent levy on Imports beyond 1.94 million tonnes. China's trade measures on sugar imports, set to expire on May 21, 2020.

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

- Sugar spot prices at benchmark Kolhapur market closed at same price at Rs.3250quintal this week.
- Next resistance and support level for the coming week is expected at Rs.3350 and Rs.3200 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
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 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	124.18	190.86	143.49
Estimated sugar production	202.85	321.96	330.09	279.34	83.50	136.53	41.27	18.04
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	400.10	204.26	260.71	232.12	161.54
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	350.10	199.26	244.05	220.46	144.87
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	89.60	124.18	190.86	143.49	89.60

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 (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 40 LT in 2018-19.

International Market Highlights

Recent Updates:

Mar NY world sugar #11 on Friday closed up by +0.07 (+0.58%). Sugar prices moved higher Friday on the outlook for lower sugar output in Brazil's Center South region. The consensus is for sugar production in the first half of Sep to fall -4.1% y/y to 2.11 MMT in Brazil's Center South, the country's largest sugar producing region.

Indonesia has agreed to import sugar and rice from India. Earlier Indonesia had asked India to cut its tariff on refined palm oil matching the levy faced by rival producer Malaysia, and offered market access for Indian sugar in exchange. This move will help to reduce trade deficit between the two sides and push trade volume to \$ 50 billion by 2025.

According to Australian Sugar report released by Australian sugar milling council, the weekly crush in the week ending on 15th Sep'19 fall to 15.07 lakh tonnes and the total crush reached 173.74 lakh tonnes (56.3%) total crush from the beginning of the season. The weekly crush as on 16th Sep'18, was around 15.00 lakh tonnes and total crush as on date was 205.89 lakh tonnes compared to 2019-20 crushing.

Brazil will allocate more sugarcane towards ethanol production due to its increasing demand. According to the Sugar group Biosev, Brazil's 2019-20 centre-south sugar output seen at 25.9 million tonnes as against 26.5 million tonnes in 2018-19. While the ethanol production in 2019-20 is seen at 32.1 billion as against the 30.9 billion litres in 2018-19.

Previous Updates

Mar NY world sugar #11 on Monday closed up by +0.32 (+2.68%). The surge is due to a surge in crude oil prices and another supportive factor for sugar prices projection that EU 2019/20 projected sugar output will fall - 2.8% y/y to 17.5 MMT. Another bullish factor for sugar after Unica showed sugar production in Brazil's Center-South region in the 2019/20 marketing year through August fell -4.85 y/y to 17.971 MMT.

Thailand is making every effort to reduce the excess stock which has increased more than ever during the season of 2018-19. Sugar cane production in Thailand currently stands at 131 million tonnes in 2018-19 marketing year higher against the earlier estimates of 115 – 120 mln tonnes. The demand for sugar has dropped and there is a struggle to find a buyer for sugar traders in Thailand. According to the Thai Sugar Millers Corporation estimates, in January-June, the major buyers of Thai sugar, Myanmar and Cambodia, reported a sharp decline in refined sugar imports at 1.5 million tonnes and 2.5 million tonnes, respectively, down 8 percent and 8 percent throughout the year.

The sugar cane crush in the key Center-South Brazil region is expected to total 47.68 million mt in the second half of August, an increase of 9.6% year on year and cumulative sugar production of 17.931 million mt since April 1, still down 911 million mt from a year earlier. Although CS region of Brazil received 84% below normal rainfall in 2nd half of August'19, despite dry weather, expectations for the cane's total recoverable sugar came in at

149 kg/mt, 2.4% below 152.6 kg/mt a year earlier. The cane used for sugar production is expected to be 36.52%, down from 37.64% a year earlier. Brazilian producers are expected to maintain the trend so far this season and keep favoring ethanol production over sugar. With more cane being moved toward ethanol production, total ethanol output from sugar cane is expected to be 2.686 billion liters, up 10.2% year on year.

The higher cost of production of sugar in China and some countries are exporting the sugar below the cost prices has hampered the domestic sugar prices. The ministry of commerce has been urged to increase the tariffs on sugar imports. According to the reports, the plan to request an extension of the tariffs was discussed at a meeting organized by the China Sugar Association on September 5. China in 2017 to protect the domestic industry imposed 15 per cent tariffs on sugar imports within 1.94 million tonnes, and 50 per cent levy on Imports beyond 1.94 million tonnes. China's trade measures on sugar imports, set to expire on May 21, 2020.

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
World sugar production in 2019/20 (Apr/Mar) will climb +1% y/y to 180.7 MMT (USDA) after the +0.6% y/y rise to a record 185.2 MMT in 2018/19 (ISO)	Bearish
Brazil's state-owned agency Conab has pegged cane production in 2019/20 in the centre-south region at 567 mln tn, about 1% lower from a year earlier	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

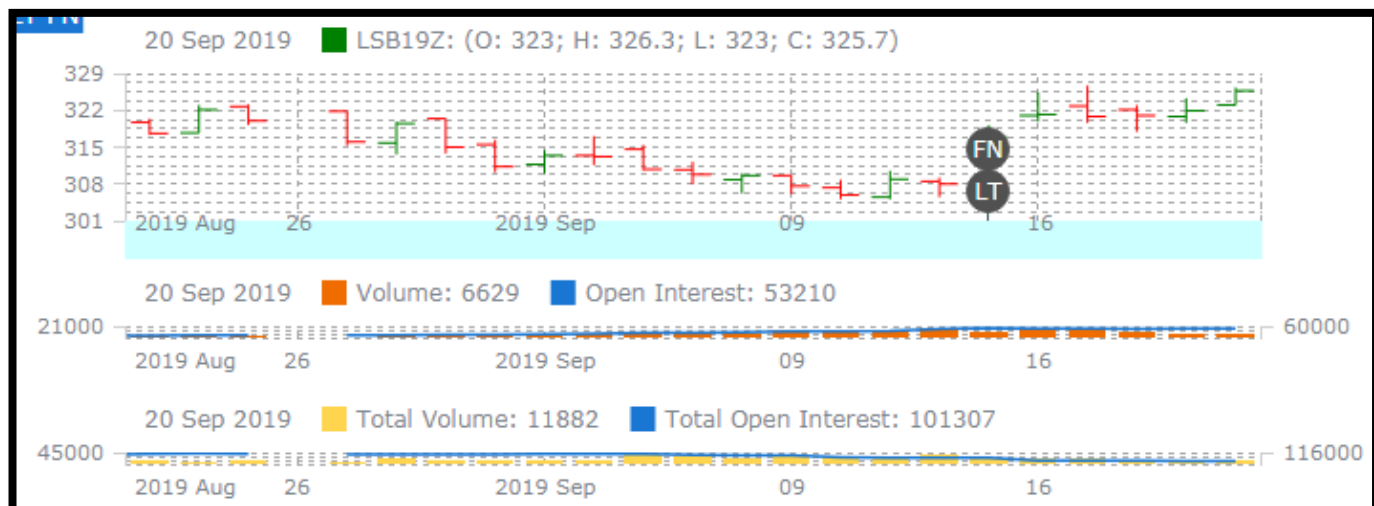
International Sugar Futures Price Projection

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

Technical Commentary

- LIFFE future market showed weak trend in the last week.
- Both Volume and open interest has decreased over a week and prices also moved slightly lower.
- Strategy: Sell at level 324, T1 331

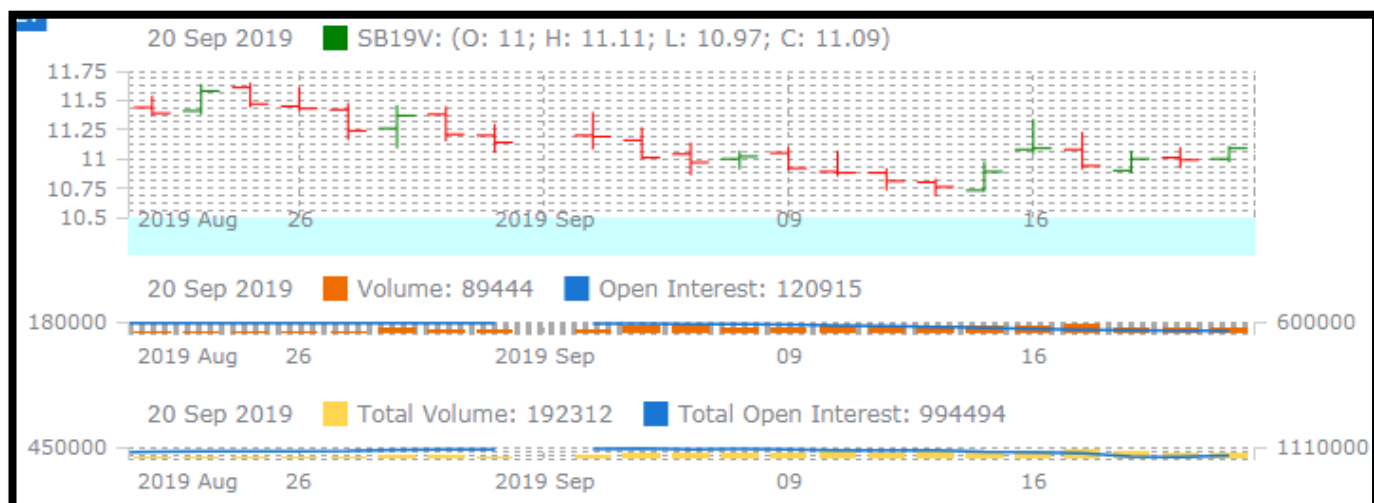
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'19	325.7	320-330



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

- ICE raw sugar futures were weaker in the week.
- Both Volume and open interest decreased.
- Strategy: Buy at rate 10 Targeting 12.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'2019	11.09	10-14



Spot Sugar Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
Sugar			13th Sep to 19th Sep 2019	6th Aug to 12th Sep 2019	
Delhi	Delhi	M-Grade	3384	3378	6
	Delhi	S-Grade	3364	3358	6
Uttar Pradesh	Khatauli	M-Grade	3450	3446	4
	Ramala	M-Grade	0	0	Unch
	Dhampur	M-Grade Ex-Mill	3373	3388	-14
	Dhampur	S-Grade Ex-Mill	3353	3368	-14
	Dhampur	L-Grade Ex-Mill	3423	3438	-14
Maharashtra	Mumbai	M-Grade	3562	3574	-12
	Mumbai	S-Grade	3362	3373	-12
	Nagpur	M-Grade	3375	3383	-8
	Nagpur	S-Grade	3275	3283	-8
	Kolhapur	M-Grade	3250	3258	-8
	Kolhapur	S-Grade	3150	3158	-8
Assam	Guhawati	S-Grade	3461	3470	-8
Meghalaya	Shillong	S-Grade	3470	3478	-8
Andhra Pradesh	Vijayawada	M-Grade	3800	3800	Unch
	Vijayawada	S-Grade	3740	3740	Unch
West Bengal	Kolkata	M-Grade	3717	3697	20
Tamil Nadu	Chennai	S-Grade	3700	3706	-6
	Dindigul	M-Grade	3687	3700	-13
	Coimbatore	M-Grade	3690	3690	Unch
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3550	3550	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)			13th Sep to 19th Sep 2019	6th Aug to 12th Sep 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	4575	4583	-8
		White	4350	4300	50

		Black	3833	3600	233
Maharashtra	Latur	Lal Variety	0	0	Unch
Karnataka	Bangalore	Mudde (Average)	3842	4650	-808
	Belgaum	Mudde (Average)	0	1492	-1492
	Belthangadi	Yellow (Average)	0	0	Unch
	Bijapur	Achhu	2580	2020	560
	Gulbarga	Other (Average)	3171	1382	1789
	Mahalingapura	Penti (Average)	2206	2287	-81
	Mandya	Achhu (Medium)	2942	3160	-218
	Mandya	Kurikatu (Medium)	2883	3050	-167
	Mandya	Other (Medium)	2875	3050	-175
	Mandya	Yellow (Medium)	2983	3150	-167
	Shimoga	Achhu (Average)	3910	3963	-53

Spot Sugar Prices Scenario (Weekly)

Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			21-Sep-19	14-Sep-19	22-Aug-19	21-Sep-18
Delhi	Delhi	M-Grade	3430	3425	3380	3150
	Delhi	S-Grade	3410	3405	3360	3130
Uttar Pradesh	Khatauli	M-Grade	3435	3420	3420	3370
	Ramala	M-Grade	NA	0	0	0
	Dhampur	M-Grade Ex-Mill	3370	3370	3380	3170
	Dhampur	S-Grade Ex-Mill	3350	3350	3360	3150
	Dhampur	L-Grade Ex-Mill	3420	3420	3430	3220
Maharashtra	Mumbai	M-Grade	3576	3550	3620	3320
	Mumbai	S-Grade	3340	3356	3356	3200
	Nagpur	M-Grade	3375	3375	3375	3200
	Nagpur	S-Grade	3275	3275	3325	3100
	Kolhapur	M-Grade	3250	3250	3250	3075
	Kolhapur	S-Grade	3150	3150	3200	2975
Assam	Guhawati	S-Grade	3461	3461	3512	3284
Meghalaya	Shillong	S-Grade	3470	3470	3520	3295
Andhra Pradesh	Vijayawada	M-Grade	3800	3800	3740	3640
	Vijayawada	S-Grade	3740	3740	3680	3580
West Bengal	Kolkata	M-Grade	3730	3720	3680	3640
Tamil Nadu	Chennai	S-Grade	3800	3650	3660	Closed
	Dindigul	M-Grade	3680	3700	3600	3520
	Coimbatore	M-Grade	3690	3690	3600	3620
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3550	3550	3350	3450

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)			21-Sep-19	14-Sep-19	22-Aug-19	21-Sep-18
Uttar Pradesh	Muzaffarnagar	Chaku Sukha	NA	0	0	0
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	0	0	0
	Muzaffarnagar	Khurpa	NA	0	0	0
	Muzaffarnagar	Laddoo	NA	0	0	0
	Muzaffarnagar	Rascut	NA	0	0	0
	Hapur	Chaurasa	NA	0	0	0
	Hapur	Balti	NA	0	0	0
Andhra Pradesh	Chittur	Gold	4200	NR	4700	3750
		White	NA	NR	4500	3300
		Black	3900	NR	NA	2600
Maharashtra	Latur	Lal Variety	NR	0	0	0
Karnataka	Bangalore	Mudde (Average)	4600	0	4650	NA
	Belgaum	Mudde (Average)	NA	0	0	NA
	Belthangadi	Yellow (Average)	NA	0	0	0
	Bijapur	Achhu	NA	0	3350	NA
	Gulbarga	Other (Average)	NA	2850	3450	NA
	Mahalingapura	Penti (Average)	NA	0	3573	NA
	Mandya	Achhu (Medium)	2900	3000	3550	NA
	Mandya	Kurikatu (Medium)	2800	2900	3200	NA
	Mandya	Other (Medium)	2800	2900	3250	NA
	Mandya	Yellow (Medium)	2950	3000	3650	NA
	Shimoga	Achhu (Average)	3550	NA	4150	NA

International Sugar Prices (Weekly)				
	Contract Month	12-Sep-19	12-Sep-19	Change
ICE Sugar #11 (US Cent/lb)	19-Oct	1764.75	1719.22	45.52
	20-Mar	1920.69	1891.79	28.91
	20-May	1936.61	1910.96	25.65
LIFFE Sugar (US \$/MT)	19-Oct	2400.44	2344.62	55.82
	19-Dec	2313.77	2196.96	116.81
	19-Mar	2327.27	2244.76	82.52

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