

**Price Outlook:**

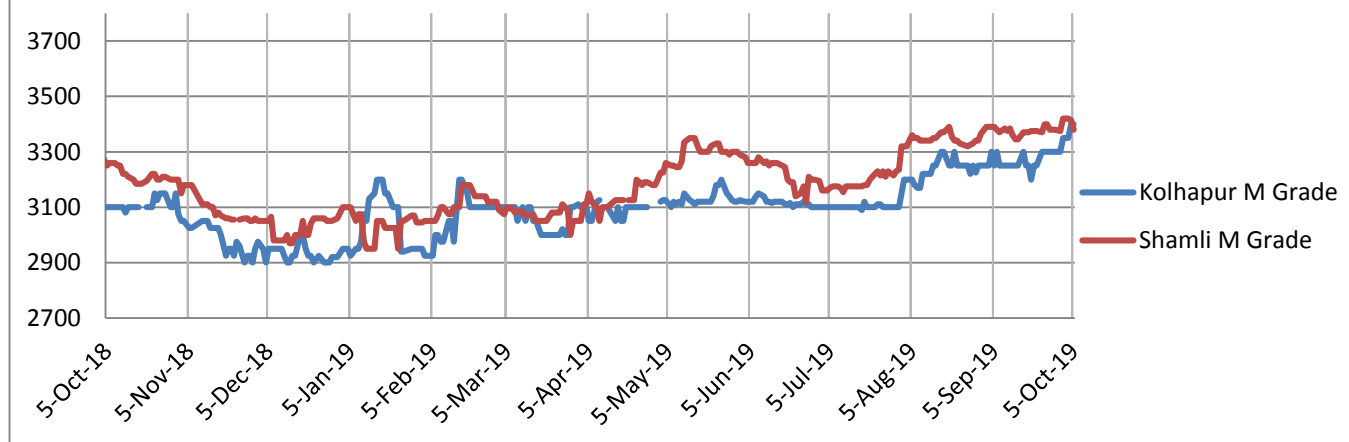
**Indian Sugar market remained firm by Rs.30-50 in September compared to previous month.** We expect sugar prices may trade firm in October also due arrival of festive season (Dussehra and Diwali) and sales quota for the month of 21 LT announced by the ministry higher compared to 19.5 LT last month. As per the Agriwatch estimate, Indian sugar prices may trade in range of 3250 to 3550 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 -3400 per quintal for next week.

**Domestic Sugar Market Summary**

Average price for sugar 'M' grade in key Kolhapur market settled at Rs. 3268 per quintal, while spot sugar prices for the same grade in Shamli district is Rs. 3377per quintal during the week, up by 20 INR against previous week's average price.

**Price comparsion Kholpur M- grade and Shamli Rs/Qtl****Fundamental summary:**

Factors	Impact
2019-20 SS Production 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
The announcement of export subsidy incentive of Rs.10.48/kg of sugar upto 6 mln tonne would help clear sugar stock piles in 2019-20 season	Bullish
Tightening of restriction on monthly sales	Bearish

### Domestic Market Highlights

#### Recent Updates:

- **The Food Ministry has allocated 21LT monthly sales quota for October which is higher than previous month allocation of 19.5 LT** to each of 535 mills in India along with added incentivized quota to those mills who have completed their export targets under MIEQ Quota. The allocated quota is 1 LT lower than previous year's allocated quota which stood at 22LT. The prices would remain firm amid upcoming Indian festivals along with export demand this year would supplement the sugar market.
- **Sugar mills in Maharashtra urge to commence 2019-2020 sugar season from November 1.** State government has decided to delay the new season considering the recent floods in Kolhapur, Sangli, Pune and Satara. The sugarcane in western Maharashtra should be used quickly as most of them are damaged because of the flood. As farmers from Marathwada have uprooted sugarcane to feed their animals as fodders were not available. So, if the crushing season gets delay, there is a likelihood of more cane being diverted towards fodder. The decision regarding the start of crushing would be taken after the election only as code of conduct is enforced now.
- **Till 29<sup>th</sup> Sep'19, around 171 sugar mills have applied for online crushing license with the maximum mills reported from Solapur district (24 mills).** The crushing in Maharashtra is going to start quite late this year after Diwali. Recently, the Sugar commissioner office extended the deadline for issuing the crushing license to 30 September. It has become difficult for the mills to get the crushing license as recently the government has that the same sugar mills will be issued crushing licenses for the new season, which will pay the farmers fair and remunerative price (FRP) within 14 days.
- **Sugar factories are planning to start crushing before Diwali whereas Maharashtra will start only after Diwali due to the upcoming elections.** The Karnataka sugar mills could benefit from this while Maharashtra will face challenges due to the early crushing in the neighbouring state. Usually Karnataka pulls sugarcane from the bordering districts of Karnataka from Maharashtra (Kolhapur & Sangli). As the two districts; Kolhapur and Sangli results in higher recovery compared to Karnataka, therefore, they tend to carry sugarcane from Maharashtra.

### Previous Updates

- **Maharashtra this year have been in the adverse weather conditions with 50% area in dry and remaining area in flooded conditions.** The total loss of sugarcane in Maharashtra is expected to around 35-40% according to the trade sources. The sugarcane loss is included from the Marathwada region (20-25%) and from the flooded affected region in Kolhapur, Satara and Sangli (15-20%). The farmers are selling sugarcane in the cattle feed market, which is getting Rs 3,500 per tonne higher from Rs.2750 per tonne which is offered by the mills. Sugarcane was sold for cattle feed due to lack of fodder in several districts of Marathwada, Vidarbha along with some districts of western Maharashtra in the state, which gave attractive returns to farmers.
- **The UP government has issued an amount of Rs. 1,100 crore to revive two defunctional state-owned sugar mills in the eastern part of the state (Munderwa and Pipraich in Basti and Gorakhpur districts).** Both plants will be made operational from the upcoming 2019-20 crushing season. As there is huge demand of Sulphur free sugar which is of premium quality and the prices range Rs.150-200 higher compared to normal sugar, therefore, the new technology would be installed by 2020-21 to produce sulphur free sugar in the same districts.
- **Many sugar mills in India are going to close due to shortage of cane this year and due to bad financial conditions, the government is planning frame a policy to revive the sugar mills** by utilizing the land area of mill for ethanol production. The ethanol economy has the potential to reach Rs. 1 lakh crore from about Rs. 25,000 crore and can reduce the annual Rs. 7 lakh crore crude imports according to the Indian government. This will promote the Sugar industry to accelerate the ethanol production and thus supporting the sugar prices also by the estimation of lower sugar in 2019-20 season.
- **Imports of sugar in China stood at 4.7 lakh tonnes in the month of August'19 around 217.6% higher than last year in same period.** The total imports till Aug'19 stood at 4.3 mln tonnes which is around 1% lower compared to last year. From 1<sup>st</sup> Oct'19, Indian sugar producers are likely to start exporting sugar to China and among some other countries like Iran, East Africa, Bangladesh, Iran, Sri Lanka & Indonesia. After the sugar incentives subsidy announcement by India boosted the bookings of shipments across the countries for export among which Indonesia and Nepal already finalized the deal for importing Indian sugar from upcoming season.

- **Sugar factories are planning to start crushing before Diwali whereas Maharashtra will start only after Diwali due to the upcoming elections.** The Karnataka sugar mills could benefit from this while Maharashtra will face challenges due to the early crushing in the neighbouring state. Usually Karnataka pulls sugarcane from the bordering districts of Karnataka from Maharashtra (Kolhapur & Sangli). As the two districts; Kolhapur and Sangli results in higher recovery compared to Karnataka, therefore, they tend to carry sugarcane from Maharashtra.

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

- Sugar spot prices at benchmark Kolhapur market closed higher at Rs.3400 quintal this week.
- Next resistance and support level for the October month is expected at Rs.3350 and Rs.3450 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	114.67	114.67	117.11	181.33	132.57
Estimated sugar production	202.85	321.96	330	277.73	83.02	135.75	41.03	17.94
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	412.67	392.40	197.69	252.85	222.36	150.50
Exports	4.6	16.24	40	55.00	5.50	18.33	12.83	18.33
Availability for domestic consumption (D - E)	279.71	342.67	372.67	337.40	192.19	234.52	209.53	132.17
Estimates sugar consumption	245.61	260	258	260.50	75.08	53.19	76.96	55.27
Carry out stock (F - G)	34.1	82.67	114.67	76.90	117.11	181.33	132.57	76.90

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 reach upto 330 LT in 2018/19 whereas the new season expects to decline by around 16% at 277.73 LT in 2019-20.
- On the other hand, sugar domestic consumption is expected to decline to 258 lakh tonnes in 2018-19 (01<sup>st</sup> October, 2018 – 30<sup>th</sup> September, 2019) whereas the consumption is estimated to increase to 260.5 LT in 2019-20.
- Although the production is estimated to decline, due to the higher ending stock of 114.67 LT which is enough to supply the demand.
- India exported around 40 LT against export target of 5 mln tonnes in 2018-19 but to clear the mounting sugar stocks from 2018-19, government has released the sugar export incentives for 60LT target which could help clear the stock as well as the arrears of cane farmers.

## International Market Highlights

Recent Updates:

**Mar NY world sugar #11 (SBH20) on Friday closed up +2 (+0.16%).** ISO sees global 2019/20 sugar production falling by -2.3% y/y to 172 MMT and a 2019/20 global sugar deficit of -4.8 MMT (after 2018/19's surplus of 1.7 MT). And Green Pool Commodity Specialists also raised their 2019/20 global sugar deficit estimate to 5.3 MMT from an Aug estimate of -3.8 MMT.

**The data released by UNICA indicate that hydrous ethanol consumption reached 1.87 billion liters, 49% compared to August 2018 in Brazil.** This figure is all time highest for August in the historical series started in 2000 and also the highest monthly average volume demanded by biofuel. In 2019, the value reaches 1.81 billion liters, 26% higher than in 2018. This represents that the consumption for ethanol has been increasing since 2019 season has started in Brazil in April'19 which subsequently encourages to increase the ethanol production instead of sugar production this year.

**Recently, in August to avoid possible sugar price hike in the Philippines, the SRA had allowed the importation of 250,000 metric tonnes of refined sugar to fulfil the deficit in domestic production to meet the rising demand.** 100,000 MT was allocated for industrial users, while the rest 150,000 MT was for consumers, and sugar producers. This imported sugar will be coming in until October 31, and this will be good until next year. According to SRA (Sugar Regulatory Administration), further importation might lower the prices and the imported sugar so far is enough to feed the country's demand.

**The delegation of China will be coming to New Delhi on October 10. China imports 50 lakh tonne of sugar every year.** India is looking forward to every opportunity to clear off the stocks. As the international sugar production is expected to decline in the following countries: Brazil, Thailand India is expected to decline. The central government had announced sugar export quota of 60 LMT, and the policy involves financial aid of Rs 10,448 per metric tonne (mt) to sugar mills.

**According to Australian Sugar report released by Australian sugar milling council, the weekly crush in the week ending on 29th Sep'19 fall to 13.83 lakh tonnes and the total crush reached 202.31 lakh tonnes (66%) total crush from the beginning of the season.** The weekly crush as on 30th Sep'18, was around 15.33 lakh tonnes and total crush as on date was 236.47 lakh tonnes (71.6%) compared to 2019-20 crushing as this year the country is facing from drought conditions.

Previous Updates

**Unica reported that sugar production in Brazil's Center-South fell -5.6% against last year to 2.037 MT in the first half of Sep and that total 2019-20 sugar output through mid-Sep fell -4.9% to 20.01 MMT.** The cane crush so far reached 437.74 mln tones as of 16<sup>th</sup> Sep'19 against 432.51 mln tonnes in 2018-19. Unica projects that increased ethanol output in Brazil will cut Brazil 2019/20 Center-South sugar production by -5.7% y/y to a 14-year low of 25 MMT.

**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.

**According to Thai Sugar Millers Corporation, Thailand exported 3.85 lakh tonnes of refined sugar and 4.59 lakh tonnes of raw sugar in Aug'19.** Total of 18.99 lakh tonnes of refined sugar (-29.59%) has been exported at an average FOB \$353.32/tonne and 36.86 lakh tonnes (-10.6% y/y) of raw sugar at an average FOB \$293.49/tonne much lower sugar has been exported so far till Aug'19 from January'19 because of lower sugar demand in 2018-19. Whereas the refined sugar exports in 2018-19 was at 26.97 lakh tonnes and 41.24 lakh tonnes of raw sugar was exported during Jan'18 to Aug'18.

**According to Australian Sugar report released by Australian sugar milling council, the weekly crush in the week ending on 22th Sep'19 fall to 14.74 lakh tonnes and the total crush reached 188.48 lakh tonnes (61.5%) total crush from the beginning of the season.** The weekly crush as on 23rd Sep'18, was around 15.24lakh tonnes and total crush as on date was 221.14 lakh tonnes (66.71%) compared to 2019-20 crushing.

**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	Bearish
World sugar production in 2019/20 (Apr/Mar) will fall by 2.3% y/y to 172 MMT (USDA) in 2019/20 (ISO)	Bullish
Brazil's Agricultural Trade Office estimates Brazil's marketing year (MY April-March) 2019/20 sugarcane crush at 635 million metric tons (mmt)	Bearish



The 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**

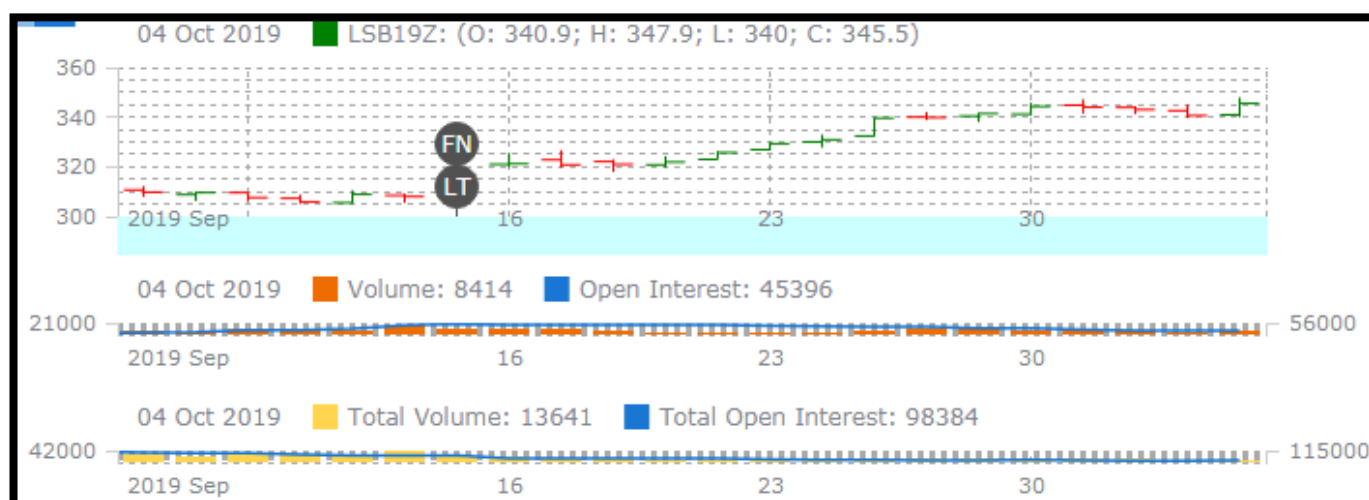
### International Sugar Futures Price Projection

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

##### Technical Commentary

- LIFFE future market bullish for the month.
- Both Total volume and open interest has been decreased over a month.
- Strategy: Sell at level 343, T1 346

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Dec'19	345.5	340-350

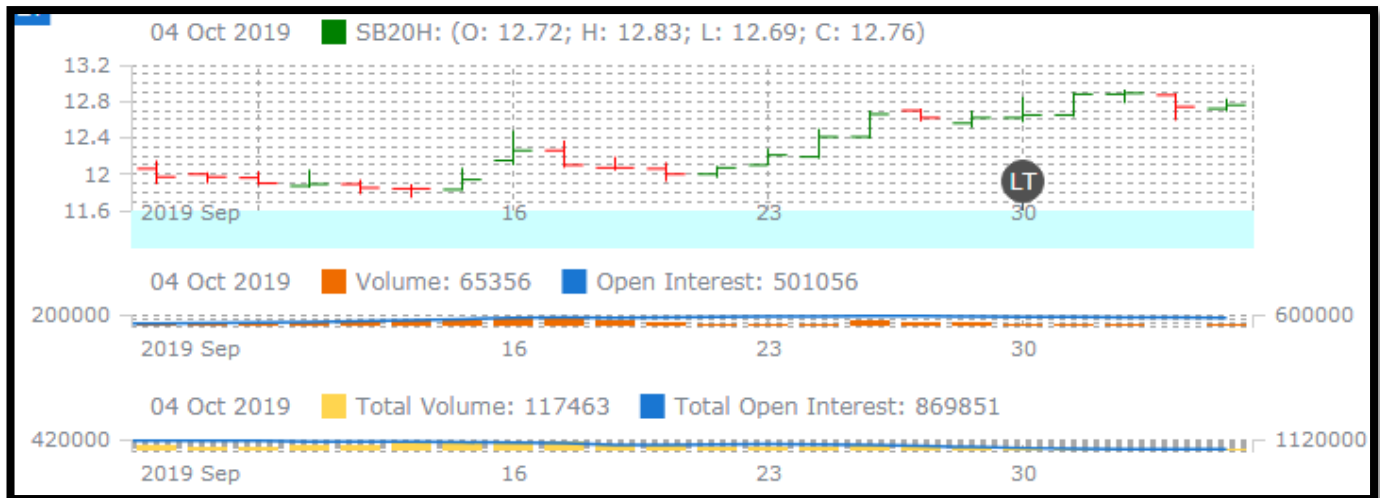


#### ICE (Raw Sugar Exchange) Future Market Scenario (Oct'19 Contract)

##### Technical Commentary:

- ICE raw sugar futures were firm in the month.
- Last candle stick of the week depicts buy in future market as open position is increasing.
- Both Volume & open interest decreased.
- Strategy: Buy at rate 11 Targeting 14.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'2020	12.76	11-18



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

Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
			27th Sep to 3rd Oct 2018	13th Sep to 19th Sep 2019	
Sugar					
Delhi	Delhi	M-Grade	3406	3384	22
	Delhi	S-Grade	3386	3364	22
Uttar Pradesh	Khatauli	M-Grade	3512	3450	62
	Ramala	M-Grade	0	0	Unch
	Dhampur	M-Grade Ex-Mill	3408	3373	35
	Dhampur	S-Grade Ex-Mill	3388	3353	35
	Dhampur	L-Grade Ex-Mill	3458	3423	35
Maharashtra	Mumbai	M-Grade	3564	3562	2
	Mumbai	S-Grade	3333	3362	-29
	Nagpur	M-Grade	3458	3375	83
	Nagpur	S-Grade	3271	3275	-4
	Kolhapur	M-Grade	3333	3250	83
	Kolhapur	S-Grade	3146	3150	-4
Assam	Guhawati	S-Grade	3457	3461	-4
Meghalaya	Shillong	S-Grade	3466	3470	-4
Andhra Pradesh	Vijayawada	M-Grade	3780	3800	-20
	Vijayawada	S-Grade	3720	3740	-20
West Bengal	Kolkata	M-Grade	3723	3717	6
Tamil Nadu	Chennai	S-Grade	3800	3700	100
	Dindigul	M-Grade	3693	3687	6
	Coimbatore	M-Grade	3695	3690	5
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3600	3550	50

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)			27th Sep to 3rd Oct 2018	13th Sep to 19th 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	Unch
	Hapur	Balti	0	0	Unch
Andhra Pradesh	Chittur	Gold	4450	4300	1170
		White	4133	3280	-
		Black	0	3700	-3700
Maharashtra	Latur	Lal Variety	0	0	Unch
Karnataka	Bangalore	Mudde (Average)	4600	4600	Unch
	Belgaum	Mudde (Average)	0	1550	-1550
	Belthangadi	Yellow (Average)	0	0	Unch
	Bijapur	Achhu	2167	3160	-993
	Gulbarga	Other (Average)	2366	3186	-820
	Mahalingapura	Penti (Average)	3356	3291	65
	Mandya	Achhu (Medium)	3230	2980	250
	Mandya	Kurikatu (Medium)	2840	2800	40
	Mandya	Other (Medium)	2870	2790	80
	Mandya	Yellow (Medium)	3210	3030	180
	Shimoga	Achhu (Average)	3730	3658	72

Spot Sugar Prices Scenario (Weekly)						
Commodity	Centre	Variety	Today	Week Ago	Month Ago	Year Ago
Sugar			7-Oct-19	30-Sep-19	7-Sep-19	7-Oct-18
Delhi	Delhi	M-Grade	3400	3390	3400	#N/A
	Delhi	S-Grade	3380	3370	3380	#N/A
Uttar Pradesh	Khatauli	M-Grade	3500	3490	3440	#N/A
	Ramala	M-Grade	NA	0	0	#N/A
	Dhampur	M-Grade Ex-Mill	3400	3400	3390	#N/A
	Dhampur	S-Grade Ex-Mill	3380	3380	3370	#N/A
	Dhampur	L-Grade Ex-Mill	3450	3450	3440	#N/A
Maharashtra	Mumbai	M-Grade	3570	3562	3576	#N/A

	Mumbai	S-Grade	3336	3326	3376	#N/A
	Nagpur	M-Grade	3425	3425	3375	#N/A
	Nagpur	S-Grade	3275	3250	3275	#N/A
	Kolhapur	M-Grade	3300	3300	3250	#N/A
	Kolhapur	S-Grade	3150	3125	3150	#N/A
<b>Assam</b>	Guhawati	S-Grade	3461	3436	3461	#N/A
<b>Meghalaya</b>	Shillong	S-Grade	3470	3445	3470	#N/A
<b>Andhra Pradesh</b>	Vijayawada	M-Grade	3760	3800	3800	#N/A
	Vijayawada	S-Grade	3700	3740	3740	#N/A
<b>West Bengal</b>	Kolkata	M-Grade	3720	3730	3680	#N/A
<b>Tamil Nadu</b>	Chennai	S-Grade	Closed	3800	3740	#N/A
	Dindigul	M-Grade	3680	3700	3700	#N/A
	Coimbatore	M-Grade	3700	3690	3690	#N/A
<b>Chattisgarh</b>	Ambikapur	M-Grade (Without Duty)	3600	3600	3550	#N/A

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)			7-Oct-19	30-Sep-19	7-Sep-19	7-Oct-18
<b>Uttar Pradesh</b>	Muzaffarnagar	Chaku Sukha	NA	0	0	#N/A
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	NA	0	0	#N/A
	Muzaffarnagar	Khurpa	NA	0	0	#N/A
	Muzaffarnagar	Laddoo	NA	0	0	#N/A
	Muzaffarnagar	Rascut	NA	0	0	#N/A
	Hapur	Chaurasa	NA	0	0	#N/A
	Hapur	Balti	NA	0	0	#N/A
<b>Andhra Pradesh</b>	Chittur	Gold	Closed	4400	4600	#N/A
		White	Closed	4100	4300	#N/A
		Black	Closed	0	NA	#N/A
<b>Maharashtra</b>	Latur	Lal Variety	NR	0	0	#N/A
<b>Karnataka</b>	Bangalore	Mudde (Average)	NA	4600	4650	#N/A
	Belgaum	Mudde (Average)	NA	0	2900	#N/A
	Belthangadi	Yellow (Average)	NA	0	0	#N/A
	Bijapur	Achhu	NA	NA	3400	#N/A
	Gulbarga	Other (Average)	NA	3160	3460	#N/A
	Mahalingapura	Penti (Average)	NA	3350	0	#N/A
	Mandya	Achhu (Medium)	NA	3150	3250	#N/A
	Mandya	Kurikatu (Medium)	NA	2800	3050	#N/A
	Mandya	Other (Medium)	NA	2800	3100	#N/A
	Mandya	Yellow (Medium)	NA	3150	3200	#N/A
	Shimoga	Achhu (Average)	NA	3750	NA	#N/A

## International Sugar Prices (Weekly)

	Contract Month	12-Dec-18	26-Sep-19	Change
ICE Sugar #11 (US Cent/lb)	19-Oct	2103.21	1849.37	253.84
	19-Mar	2028.49	2006.8	21.69
	19-May	2049.16	2017.93	31.23
LIFFE Sugar (US \$/MT)	19-Oct	2500.27	2490.33	9.94
	19-Dec	2452.01	2412.24	39.77
	19-Mar	2444.92	2426.44	18.48

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