

Price Outlook:

Despite the summer season, there is no surge in sugar demand. The demand is hit by the halt in the industrial demand which contributes 60% of the total consumption. The sugar mills in UP are in the verge of end of crushing season. While the mills would continue making sanitizers. The sugar prices are falling week by week. But still the sugar exports are the only hope to clear off the stocks. The demand from Indonesia, and Iran is expected to increase in coming days. The prices in Vijayawada stood low at Rs.3600/q and steady at Rs.3150/q in Kolhapur bench market whereas the prices in UP stood lower at Rs.3154/q against last week.

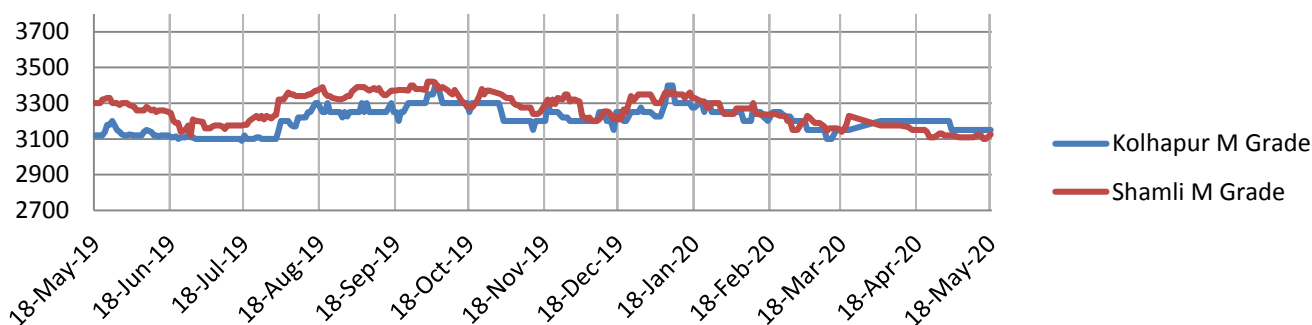
Price Projection for the Next week

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range higher next week between Rs.3050 -3200 per quintal for next week due to expectation of higher demand amid summer season.

Domestic Sugar Market Summary

Average price for sugar 'M' grade in key Kolhapur market stood at Rs. 3150 per quintal, while spot sugar prices for the same grade in Shamli district stood low at Rs. 3114 per quintal during the week.

Price comparsion Kholpur M- grade and Shamli Rs/Qtl

**Fundamental summary:**

Factors	Impact on prices
2019-20 SS Production is estimated to be higher from the earlier estimates and projected more than 26 million tonnes.	Bearish
The export demand might increase from few countries and could reach a target of 5.5 million tonnes in 2019/20 despite the lockdown.	Bullish
The reallocation of sugar export sales would help sugar mill to clear sugar stock piles in 2019-20 season.	Bullish
The outbreak of coronavirus will affect the sales of sugar in domestic market especially the closure of industries.	Bearish

Domestic Market Highlights

Recent Updates:

- **According to ISMA, 264.65 lakh tonnes of sugar have been produced till 15th May 2020** across India as against 326.19 lakh tonnes produced in the same time last year. As on 15th May 2020, 63 sugar mills are crushing sugarcane compared 38 sugar mills which were crushing sugarcane in the same time last year. In UP, sugar mills have produced 122.28 LT of sugar compared to 116.8 LT of sugar with only 46 mills operational mills till 15th May'20. In Maharashtra, 145 mills have closed their operations with only 1 mill operating at this time with producing 60.87 LT compared with 107.15 LT produced year on year.
- **According to the sugar mills, exporting the sugar is the better option as they are getting better returns than selling in the domestic market.** As the sugar is trading around Rs.3100/q across the country while the trade is taking place around Rs.3400-3500/q by exporting sugar. Most of the contracts are being received from Iran, Indonesia, & Malaysia. In the last few days, Iran and Indonesia were buying for May and June shipments. It is estimated that Indian sugar mills have already dispatched 35-37 LT out of around 41 LT of contracts signed for exports in the 2019-20 marketing year ending on September 30.
- **The government has advised the sugar mills to divert excess sugarcane to produce fuel based ethanol.** As excess sugar production has deprived the prices amid less demand in the market, thereby, affecting the liquidity of sugar. Therefore, to encourage the diversion the Centre has announced a soft loan of Rs. 18,600 crore to 362 projects (349 sugar mills and 13 molasses-based standalone distilleries) out of which only 166 mills have submitted applications to banks. Sugar mills are advised to utilize their existing capacity to produce ethanol. Sugar mills with distillation capacity should divert B-heavy molasses and sugar syrup for producing ethanol to utilize their capacity to maximum extent.

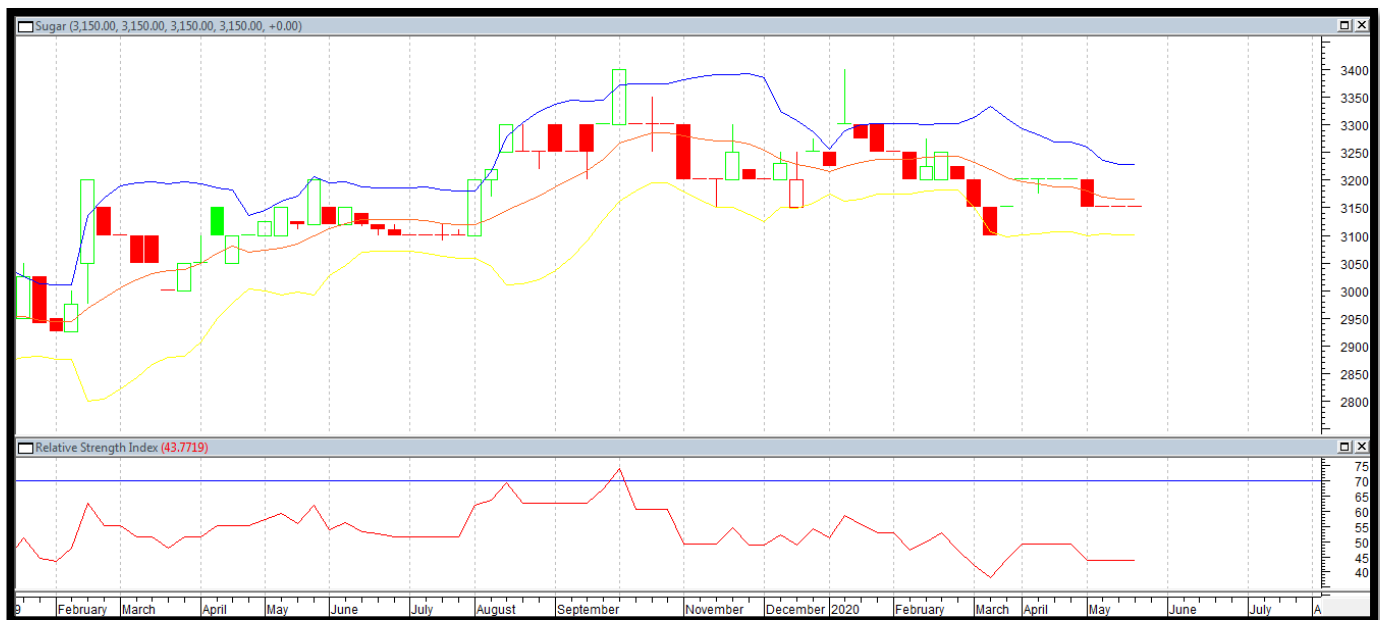
Previous Updates

- **The mills in Uttar Pradesh are receiving record high cane in the Muzzafarnagar district.** The areas which made the purchases include those located in Khatauli, Mansurpur, Tikola, Morna, Khaikhedi, Titawi, Rohana and Budhana areas. The eight sugar mills in the district bought a total of 932.11 lakh quintals of cane till May 5th this year from farmers. The cane that used to be used for jaggery production is now diverted to the sugar mills due to lack of availability of labour in jaggery production units. Therefore, it is expected that the sugar production might increase significantly in the state due higher diversion of cane towards sugar production.
- **UP is making sanitizers in full speed by producing around 7,000-8,000 liters per day.** In UP, total production of 48,67,064 litres sanitizer has been done till 10th of May in the state and 40,40,311 litres of sanitizer have been supplied in the market so far. UP has 86 units engaged in commercial production of hand sanitizer out of which 46 of these are dedicated sanitizer plants, 27 sugar mills, 12 distilleries and eight independent entities.

- According to the sugar millers, exporting the sugar is the better option as they are getting better returns than selling in the domestic market. As the sugar is trading around Rs.3100/q across the country while the trade is taking place around Rs.3400-3500/q by exporting sugar. Most of the contracts are being received from Iran, Indonesia, & Malaysia. In the last few days, Iran and Indonesia were buying for May and June shipments. Indian sugar mills have already dispatched 35-37 LT out of around 41 LT of contracts signed for exports in the 2019-20 marketing year ending on September 30.

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

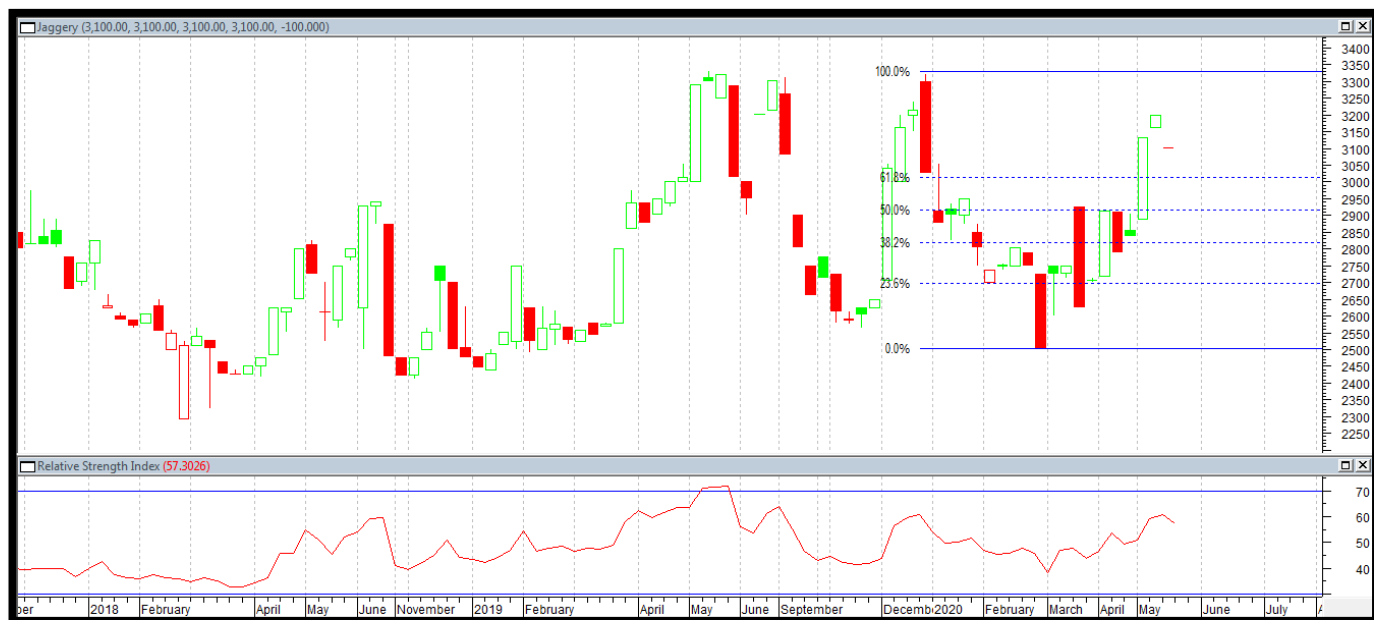
- Sugar spot prices at benchmark Kolhapur market was closed steady at Rs.3150/q.
- Next resistance and support level for the next week is expected at Rs.3250 and Rs.3050 per quintal respectively.
- RSI is in the neutral region.



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

Gur Market Scenario

- Chaku variety of gur in key Muzaffarnagar market the average prices stood firm at Rs.3100/q with lower arrivals of 43500 quintals in last week.
- RSI stood in the neutral region.



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 2019-20(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	119.78	119.78	130.77	204.02	162.01
Estimated sugar production	202.85	321.96	331.61	262.76	77.95	154.05	26.66	4.10
Imports	4.46	2.85	0.00	0.00	0.00	0.00	0.00	0.00
Estimated sugar availability (A + B + C)	284.31	358.91	414.28	382.54	197.73	284.82	230.68	166.11
Exports	4.6	16.24	38.00	53.46	7.80	21.77	14.13	9.76
Availability for domestic consumption (D - E)	279.71	342.67	376.28	329.08	189.93	263.05	216.55	156.35
Estimates sugar consumption	245.61	260	256.50	237.85	59.16	59.03	54.54	65.12
Carry out stock (F - G)	34.10	82.67	119.78	91.23	130.77	204.02	162.01	91.23

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 331.61 LT in 2018/19 whereas the new season expects to decline by around 21% at 262.76 LT in 2019-20.
- On the other hand, sugar domestic consumption is expected to decline to 237.85 lakh tonnes in 2019-20 (01st October, 2018 – 30th September, 2019) from the previous estimate of 259 LT in 2019-20.
- Although the production is estimated to decline, with an ending stock lower than the previous year at 70.08 LT in 2019-20.
- India likely to export around 53 LT against the target of 60 LT in 2019-20. Government has released the sugar export incentives for 60LT target which could help clear the stock as well as the arrears of cane farmers. It is expected that the sugar exports are disrupted amid coronavirus.

International Market Highlights

Recent Updates:

- **The sugar production in Thailand is estimated to decline further in 2020-21 season, down by 10-15% from 2019-20.** The decline is expected due to the prolonged drought till June this year and due to the decline in plantation as well as the economy is hurt by the coronavirus. Sugar production in 2019-20 is forecast to decline to 8.3 MMT due to reduced sugarcane acreage and reduced average yields caused by drought. In MY 2019-20, Thailand exported around 6 million tons of raw sugar while the rest of the sugar is sold domestically. According to USDA, in MY 2019-20 sugar consumption is forecast to be at around 2.4 MMT down by 3% from the previous year. As, Non-alcoholic beverage manufacturers in the country are likely to further reduce production of beverages with high-sugar content also. Also, the household consumption growth is in sluggish pace due to the slow economic growth since 2019 and is likely to reduce further in 2020 due to the sharp decline in tourism amid covid-19.
- **China is expecting that the sugar consumption might increase from the second half of the current year so the consumption likely to remain same in 2020-21 MY at 15.2 MMT.** But, some industry experts are predicting consumption could fall as low as 14.4 MMT based on the assumption that the impact of COVID-19 could last longer. China applies a tariff-rate quota (TRQ) on imported sugar, most of which comes from Brazil, Cuba, and Thailand. However, the Chinese government has yet to make an official announcement stating its intentions to withdraw the safeguard. After the removal of this safeguard, the imports might surge. However, it seems difficult in such a surge in imports as the market is affected due to coronavirus. China usually imports major sugar from Brazil & Thailand.

Previous Updates

- **Brazilian sugar mills produced around 9.48 LT of sugar in the South-Central region up by 178%, a huge surge in first week of April'20 that allocated 39.69% of the cane to produce sugar in the period, compared to 23.49% at this time last year.** Weak ethanol demand is negative for sugar prices after Unica reported that Brazil sugarcane-based ethanol sales the first half of April plunged down by 32% to 800 mln liters compared to the same period last year. While the total sugar exports declined by 11% in Brazil year on year by producing 26.76 MMT of total sugar in 2019-20, up by only around 1% this season. Brazilian sugar consumption for 2020-21 MY likely to remain unchanged from the MY 2019-20 estimate at 10.65 MMT, according to the Brazilian Government.
- **The average global raw sugar prices have fallen by around 2% since last month from 11.76 cents/lbs to 10.07 cents/lbs by the end of April month** and similarly the average white sugar have plunged to \$331.81/tonne by the end of April from \$355/tonne during the same period due to the pandemic effect globally. The weakness in Brazilian real is negative for sugar prices. The fall in prices due to weak crude oil prices, growing risk and on expectation of a decline in demand amid outbreak of coronavirus. The downfall in crude oil prices is encouraging one of the largest sugar producing countries Brazil and a major competitor of India to divert the sugarcane crushing to sugar production instead of ethanol production in the coming sugar year in Brazil.

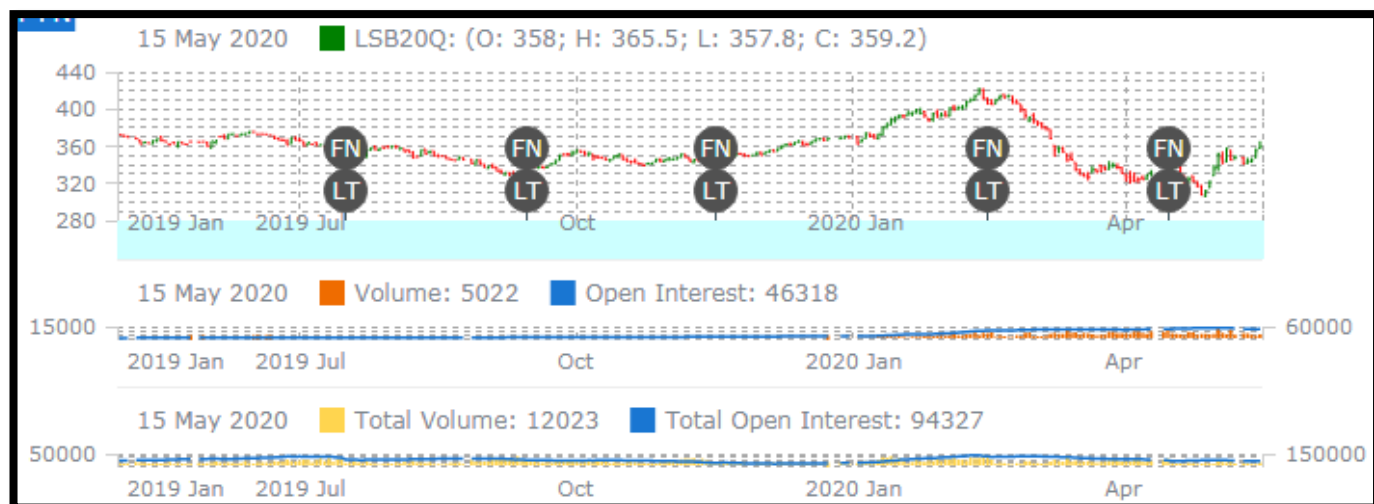
Bullish and Bearish factors for International sugar market:

Factors	Impact on Prices
Brazil 2020/21 sugar production will increase to 35.3 MMT from 26.4 MMT in the earlier season	Bearish
Global 2019/20 sugar production likely to decline by -4.8% y/y to 166.7 MMT (ISO) in 2019/20	Bullish
The world sugar balance in 2019/20 will tighten to a -9.4 MMT deficit from the -6.2 MMT surplus in the November estimate.	Bullish

International Sugar Futures Price Projection**LIFFE (White Sugar Exchange) Future Market Sugar Scenario (Aug'20 Contract)****Technical Commentary**

- LIFFE future market was firm for the week.
- Both Total volume increased & open interest decreased over a week.
- Strategy: Buy at level 350, T1 363

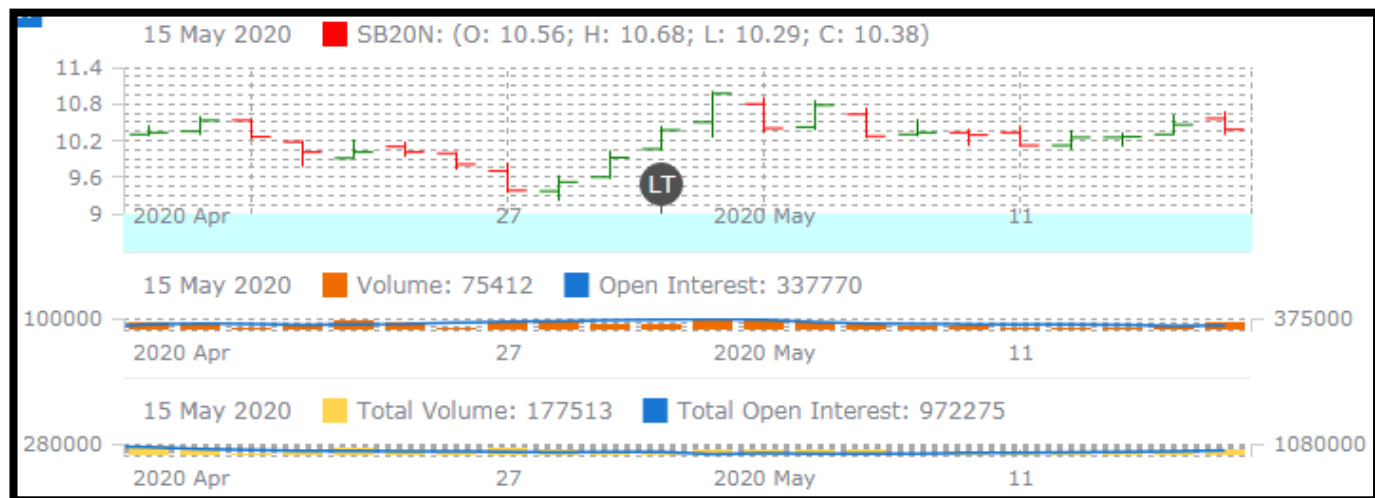
International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Aug'20	359.2	348-365

**ICE (Raw Sugar Exchange) Future Market Scenario (Jul'20 Contract)****Technical Commentary:**

- ICE raw sugar futures were bullish in the week.
- Both volume & open interest increased.
- Strategy: Buy at rate 10.2 Targeting 10.8.

International Sugar Futures Price Projection

	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Jul'20	10.38	9-14



Spot Sugar Prices Scenario (Weekly) (Average)

Commodity	Centre	Variety	Average Prices (Rs/Qtl)		Change
			8th May'20 to 14th May'20	1st May'20 to 7th May'20	
Sugar	Delhi	M-Grade	3123	3103	19
		S-Grade	3103	3083	19
Uttar Pradesh	Khatauli	M-Grade	3143	3152	-8
	Ramala	M-Grade	NA	3110	-
	Dhampur	M-Grade Ex-Mill	3110	3123	-13
	Dhampur	S-Grade Ex-Mill	3090	3103	-13
	Dhampur	L-Grade Ex-Mill	3160	3173	-13
Maharashtra	Mumbai	M-Grade	3580	3550	30
	Mumbai	S-Grade	3345	3362	-17
	Nagpur	M-Grade	3275	3295	-20
	Nagpur	S-Grade	3225	3225	Unch
	Kolhapur	M-Grade	3150	3170	-20
	Kolhapur	S-Grade	3100	3100	Unch
Assam	Guhawati	S-Grade	3410	3410	Unch
Meghalaya	Shillong	S-Grade	3420	3420	Unch
Andhra Pradesh	Vijayawada	M-Grade	3630	3713	-83
	Vijayawada	S-Grade	3570	3653	-83
West Bengal	Kolkata	M-Grade	3710	3750	-40

Tamil Nadu	Chennai	S-Grade	3658	3725	-67
	Dindigul*	M-Grade (DCA)	4250	4250	Unch
	Coimbatore*	M-Grade (DCA)	3900	4150	-250
Chattisgarh	Ambikapur	M-Grade (Without Duty)	3700	3700	Unch

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

*DCA: Department of consumer affairs

Spot Jaggery(Gur) Prices Scenario (Weekly) (Average)					
Commodity	Centre	Variety	Prices (Rs/Qtl)		Change
Jaggery(Gur)			8th May'20 to 14th May'20	1st May'20 to 7th May'20	
Uttar Pradesh	Muzaffarnagar	Chaku Fresh	3163	2930	232
	Muzaffarnagar	Chaku(Arrival)(40kg Bag)	31500	40500	-9000
	Muzaffarnagar	Khurpa (Fresh)	2949	2795	155
	Muzaffarnagar	Laddoo (Fresh)	3111	2963	148
	Muzaffarnagar	Rascut (Fresh)	2600	2542	58
	Hapur	Chaurasa	2894	2835	59
	Hapur	Balti	2733	2745	-12
Andhra Pradesh	Chittur	Gold	NA	4783	-
		White	4500	4500	Unch
		Black	3967	4000	-33
Maharashtra	Latur	Lal Variety	0	NA	-
Karnataka	Bangalore	Mudde (Average)	4500	4583	-83
	Belgaum	Mudde (Average)	NA	NA	-
	Belthangadi	Yellow (Average)	NA	NA	-
	Bijapur	Achhu	3150	3200	-50
	Gulbarga	Other (Average)	NA	NA	-
	Mahalingapura	Penti (Average)	3336	3328	8
	Mandya	Achhu (Medium)	3335	3370	-35
	Mandya	Kurikatu (Medium)	3183	3270	-87
	Mandya	Other (Medium)	3225	2616	609
	Mandya	Yellow (Medium)	3460	3452	8
	Shimoga	Achhu (Average)	3770	3760	10

International Sugar Prices (Weekly)				
	Contract Month	8th May'20 to 14th May'20	1st May'20 to 7th May'20	Change
ICE Sugar #11 (US Cent/lb)	20-Jul	1796	1789	7.00
	20-Oct	1815	1830	-15.00
	21-Mar	1858	1965	-107.00
LIFFE Sugar (US \$/MT)	20-Aug	2482	2539	-57.00
	20-Oct	2556	2640	-84.00
	20-Dec	2465	2507	-42.00

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/disclaimer.php> © 2020 Indian Agribusiness Systems Ltd.